Condensed Consolidated Financial Statements
June 30, 2018

CABLE & WIRELESS COMMUNICATIONS LIMITED
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CABLE & WIRELESS COMMUNICATIONS LIMITED

TABLE OF CONTENTS

CABLE & WIRELESS COMMUNICATIONS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

	June 30, 2018	December 31, 2017
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 289.8	$ 266.1
Trade and other receivables, net	508.0	491.7
Prepaid expenses	42.7	46.3
Other current assets	123.8	116.4
Total current assets	964.3	920.5
Noncurrent assets:		
Property and equipment, net	2,809.8	2,877.3
Goodwill	1,422.5	1,430.6
Intangible assets subject to amortization, net	715.2	800.1
Investment in TSTT	93.2	93.2
Other noncurrent assets	507.1	266.6
Total noncurrent assets	5,547.8	5,467.8
Total assets	6,512.1	6,388.3
LIABILITIES		
Current liabilities:		
Trade and other payables	159.7	154.3
Deferred revenue	133.8	95.7
Accrued interest	53.3	57.3
Accrued capital expenditures	39.4	64.8
Current portion of debt and finance lease obligations	293.9	164.3
Other accrued and current liabilities	528.3	427.0
Total current liabilities	1,208.4	963.4
Noncurrent liabilities:		
Noncurrent debt and finance lease obligations	3,595.6	3,714.3
Deferred tax liabilities	278.7	278.5
Deferred revenue	308.4	276.1
Other noncurrent liabilities	318.1	157.7
Total noncurrent liabilities	4,500.8	4,426.6
Net assets	$ 802.9	$ 998.3
Commitments and contingencies		
OWNERS' EQUITY		
Capital and reserves attributable to parent:		
Share capital	$ 0.1	$ 0.1
Share premium	453.4	453.4
Reserves	(46.3)	158.2
Total parent's equity	407.2	611.7
Noncontrolling interests	395.7	386.6
Total owners' equity	$ 802.9	$ 998.3

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

CABLE & WIRELESS COMMUNICATIONS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Revenue	$ 589.2	$ 584.3	$ 1,178.5	$ 1,160.2
Operating costs and expenses:				
Employee and other staff expenses	92.3	87.8	220.9	177.9
Mobile access and interconnect costs	59.4	59.3	117.7	114.8
Network costs	45.3	39.5	91.6	90.4
Programming expenses	33.7	38.3	70.9	75.0
Equipment sales expenses	21.7	25.1	41.2	49.6
Managed services costs	15.4	13.0	30.6	28.4
Depreciation and amortization	147.2	140.5	291.7	285.9
Impairment expenses	0.7	—	2.9	2.0
Other operating expenses	109.8	114.6	218.6	226.8
Other operating income	(0.1)	(2.0)	(0.1)	(2.2)
	525.4	516.1	1,086.0	1,048.6
Operating income	63.8	68.2	92.5	111.6
Financial income (expense):				
Finance expense	(90.4)	(98.8)	(163.7)	(172.3)
Finance income	3.7	26.2	18.7	52.9
	(86.7)	(72.6)	(145.0)	(119.4)
Loss before income taxes	(22.9)	(4.4)	(52.5)	(7.8)
Income tax expense	(22.1)	(13.3)	(31.8)	(14.1)
Net loss	(45.0)	(17.7)	(84.3)	(21.9)
Net losses (earnings) attributable to noncontrolling interests	0.6	(13.2)	2.0	(19.9)
Net loss attributable to parent	$ (44.4)	$ (30.9)	$ (82.3)	$ (41.8)

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

CABLE & WIRELESS COMMUNICATIONS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Net loss	$ (45.0)	$ (17.7)	$ (84.3)	$ (21.9)
Other comprehensive loss:				
Items that will not be reclassified to net earnings (loss) in subsequent periods:				
Actuarial losses in the value of defined benefit pension plans	—	(41.8)	—	(41.8)
Total items that will not be reclassified to net earnings (loss) in subsequent periods	—	(41.8)	—	(41.8)
Items that may be classified to net earnings (loss) in subsequent periods:				
Foreign currency translation adjustments	(22.7)	(0.7)	(21.7)	(5.1)
Fair value movements in financial assets	4.7	(0.4)	(0.7)	—
Total items that may be classified to net earnings (loss) in subsequent periods	(18.0)	(1.1)	(22.4)	(5.1)
Other comprehensive loss	(18.0)	(42.9)	(22.4)	(46.9)
Comprehensive loss	(63.0)	(60.6)	(106.7)	(68.8)
Comprehensive loss (income) attributable to noncontrolling interests	—	(13.1)	0.6	(19.7)
Comprehensive loss attributable to parent	$ (63.0)	$ (73.7)	$ (106.1)	$ (88.5)

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

CABLE & WIRELESS COMMUNICATIONS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

(unaudited)

	Share capital	Share premium	Foreign currency translation	Capital and other reserves	Accumulated deficit	Total parent's equity	Noncontrolling interests	Total owners' equity
	in millions							
Balance at January 1, 2017	$ 0.1	$ 453.4	$ (188.5)	$ 4,501.8	$ (3,750.4)	$ 1,016.4	$ 389.5	$ 1,405.9
Net loss	—	—	—	—	(41.8)	(41.8)	19.9	(21.9)
Other comprehensive loss	—	—	(4.9)	—	(41.8)	(46.7)	(0.2)	(46.9)
Dividends	—	—	—	—	—	—	(18.6)	(18.6)
Share-based compensation and other	—	—	(0.2)	(0.2)	5.8	5.4	(1.1)	4.3
Balance at June 30, 2017	$ 0.1	$ 453.4	$ (193.6)	$ 4,501.6	$ (3,828.2)	$ 933.3	$ 389.5	$ 1,322.8
Balance at January 1, 2018, before effect of accounting change	$ 0.1	$ 453.4	$ (184.7)	$ 4,481.1	$ (4,138.2)	$ 611.7	$ 386.6	$ 998.3
Accounting change (note 2)	—	—	—	—	(56.1)	(56.1)	3.6	(52.5)
Balance at January 1, 2018, as adjusted for accounting change	0.1	453.4	(184.7)	4,481.1	(4,194.3)	555.6	390.2	945.8
Net loss	—	—	—	—	(82.3)	(82.3)	(2.0)	(84.3)
Other comprehensive loss	—	—	(23.1)	(0.7)	—	(23.8)	1.4	(22.4)
C&W Jamaica NCI Acquisition	—	—	—	(46.8)	—	(46.8)	25.2	(21.6)
Dividends	—	—	—	—	—	—	(19.8)	(19.8)
Share-based compensation and other	—	—	—	—	4.5	4.5	0.7	5.2
Balance at June 30, 2018	$ 0.1	$ 453.4	$ (207.8)	$ 4,433.6	$ (4,272.1)	$ 407.2	$ 395.7	$ 802.9

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

CABLE & WIRELESS COMMUNICATIONS LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30,	
	2018	2017
	in millions	
Cash flows from operating activities:		
Net loss	$ (84.3)	$ (21.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Income tax expense	31.8	14.1
Share-based compensation expense	4.7	4.1
Depreciation, amortization and impairment	294.6	287.9
Interest expense	136.6	125.3
Interest and dividend income	(3.0)	(5.2)
Amortization of debt financing costs and discounts	3.0	5.3
Realized and unrealized gains on derivative instruments, net	(14.0)	(43.2)
Foreign currency transaction losses, net	14.3	13.5
Loss on debt extinguishment	9.8	28.2
Fees and allocations – related-party	13.6	2.6
Other	1.4	(5.6)
	408.5	405.1
Changes in operating assets and liabilities	(0.8)	(87.4)
Cash provided by operating activities	407.7	317.7
Interest paid	(122.2)	(134.0)
Income taxes paid	(51.2)	(44.7)
Net cash provided by operating activities	234.3	139.0
Cash flows from investing activities:		
Capital expenditures	(195.5)	(154.3)
Other investing activities	4.4	(6.8)
Net cash used by investing activities	(191.1)	(161.1)
Cash flows from financing activities:		
Borrowings of debt	197.8	193.8
Repayments of debt and finance lease obligations	(197.2)	(80.7)
Cash payment related to C&W Jamaica NCI Acquisition	(19.7)	—
Dividends paid to noncontrolling interests	(19.8)	(18.6)
Change in cash collateral	22.2	(11.1)
Payment of financing costs	(2.7)	(7.0)
Net cash provided (used) by financing activities	(19.4)	76.4
Effect of exchange rate changes on cash	(0.1)	(0.4)
Net increase in cash and cash equivalents	23.7	53.9
Cash and cash equivalents:		
Beginning of period	266.1	271.2
End of period	$ 289.8	$ 325.1

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

(1) Basis of Presentation

Cable & Wireless Communications Limited (**C&W**) is a provider of mobile, broadband internet, fixed-line telephony and video services to (i) residential and business-to-business (**B2B**) customers in 18 countries, primarily in Latin America and the Caribbean, (ii) B2B services in certain other countries in Latin America and the Caribbean and (iii) wholesale communication services over its sub-sea and terrestrial fiber optic cable networks that connect over 40 markets in the region. C&W is a wholly-owned subsidiary of LGE Coral Holdco Limited (**LGE Coral Holdco**), a subsidiary of Liberty Latin America Ltd. (**Liberty Latin America**). In these notes, the terms "**C&W**," "**we**," "**our**," "**our company**" and "**us**" may refer, as the context requires, to C&W or collectively to C&W and its subsidiaries.

As described in note 18, our former ultimate parent company, Liberty Global plc (**Liberty Global**), completed a split-off of its former wholly-owned subsidiary, Liberty Latin America, on December 29, 2017. Accordingly, our ultimate parent is Liberty Latin America.

C&W is incorporated and domiciled in the United Kingdom (**U.K.**). The address of our registered office is Griffin House, 161 Hammersmith Road, London W6 8BS.

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (**IAS 34**), and do not include all of the information required by International Financial Reporting Standards as promulgated by the International Accounting Standards Board (**IASB-IFRS**) for full annual financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto included in our 2017 Annual Report, which were prepared in accordance with IASB-IFRS and include a description of the significant accounting policies followed in these financial statements.

The preparation of condensed consolidated financial statements in accordance with IAS 34 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming costs, deferred income taxes and the related recognition of deferred tax assets, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

We have prepared the accounts on a going concern basis.

Unless otherwise indicated, convenience translations into United States (**U.S.**) dollars are calculated as of June 30, 2018.

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

Management approval

These condensed consolidated financial statements were authorized for issue by management on August 24, 2018 and reflect our consideration of the accounting and disclosure implications of subsequent events through such date.

(2) Accounting Changes and Recent Pronouncements

Accounting Changes

In May 2014, the International Accounting Standards Board (**IASB**) issued IFRS 15, *Revenue from Contracts with Customers* (**IFRS 15**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. We adopted IFRS 15 effective January 1, 2018 by recording the cumulative effect to the opening balance of our accumulated deficit. We applied the new standard to contracts that were not complete as of January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The most significant impacts of IFRS 15 on our revenue recognition policies relate to our accounting for (i) long-term capacity contracts, (ii) subsidized handset plans and (iii) certain installation and other upfront fees, each as set forth below:

- We enter into certain long-term capacity contracts with customers where the customer pays the transaction consideration at inception of the contract. Under previous accounting standards, we did not impute interest for advance payments from customers related to services that are provided over time. Under IFRS 15, payment received from a customer significantly in advance of the provision of services is indicative of a financing component within the contract. If the financing component is significant, interest expense is accreted over the life of the contract with a corresponding increase to revenue.

- IFRS 15 requires the identification of deliverables in contracts with customers that qualify as performance obligations. The transaction price consideration from customers is allocated to each performance obligation under the contract on the basis of relative standalone selling price. Under previous accounting standards, when we offered discounted equipment, such as handsets under a subsidized contract, upfront revenue recognition was limited to the upfront cash collected from the customer as the remaining monthly fees to be received from the customer, including fees associated with the equipment, were contingent upon delivering future airtime. This limitation is not applied under IFRS 15. The primary impact on revenue reporting is that when we sell discounted equipment together with airtime services to customers, revenue allocated to equipment and recognized when control of the device passes to the customer will increase and revenue recognized as services are delivered will decrease.

- When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under previous accounting standards, installation fees related to services provided over our fixed networks were recognized as revenue during the period in which the installation occurred to the extent those fees were equal to or less than direct selling costs. Under IFRS 15, these fees are generally deferred and recognized as revenue over the contractual period for those contracts with substantive termination penalties, or for the period of time the upfront fees convey a material right for month-to-month contracts and contracts that do not include substantive termination penalties.

IFRS 15 also impacted our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our previous policy, these costs were expensed as incurred unless the costs were in the scope of other accounting standards that allowed for capitalization. Under IFRS 15, the upfront costs associated with contracts that have substantive termination penalties and a term of longer than one year are recognized as assets and amortized to other operating expenses over the applicable period benefited.

For information regarding changes to our accounting policies following the adoption of IFRS 15 and our contract assets and deferred revenue balances, see note 3.

The cumulative effect of the changes made to our condensed consolidated statement of financial position as of January 1, 2018 is as follows:

	Balance at December 31, 2017	Cumulative catch up adjustments upon adoption	Balance at January 1, 2018
		in millions	
Assets:			
Other current assets	$ 116.4	$ 15.9	$ 132.3
Other noncurrent assets	$ 266.6	$ 16.7	$ 283.3
Liabilities:			
Current deferred revenue	$ 95.7	$ 24.8	$ 120.5
Noncurrent deferred revenue	$ 276.1	$ 60.3	$ 336.4
Owners' Equity:			
Accumulated deficit	$ (4,138.2)	$ (56.1)	$ (4,194.3)
Noncontrolling interests	$ 386.6	$ 3.6	$ 390.2

The impact of our adoption of IFRS 15 to our condensed consolidated statement of operations for the three and six months ended June 30, 2018 is as follows:

	Before adoption of IFRS 15	Impact of IFRS 15 increase (decrease)	As reported
		in millions	
Three months ended June 30, 2018:			
Revenue	$ 581.7	$ 7.5	$ 589.2
Operating costs and expenses – employee and other staff costs	$ 92.4	$ (0.1)	$ 92.3
Finance expense – interest expense	$ 63.4	$ 8.6	$ 72.0
Income tax expense	$ 22.2	$ (0.1)	$ 22.1
Net loss	$ 44.1	$ 0.9	$ 45.0
Six months ended June 30, 2018:			
Revenue	$ 1,167.0	$ 11.5	$ 1,178.5
Operating costs and expenses – employee and other staff costs	$ 221.2	$ (0.3)	$ 220.9
Finance expense – interest expense	$ 122.9	$ 13.7	$ 136.6
Income tax expense	$ 32.0	$ (0.2)	$ 31.8
Net loss	$ 82.6	$ 1.7	$ 84.3

New Accounting Standards, Not Yet Effective

Except for the following accounting standards that are relevant for our company, there were no additional standards and interpretations issued by the IASB that are not yet effective for the current reporting period that we see as relevant for our company. We have not early adopted the accounting standards that are relevant for us.

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after
IFRS 16	Leases	January 1, 2019 (a)
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019 (b)

(a) In January 2016, the IASB issued IFRS 16, *Leases* (**IFRS 16**), which supersedes IAS 17, *Leases* (**IAS 17**). IFRS 16 will, for most leases, result in lessees recognizing lease assets and lease liabilities on the statement of financial position with additional disclosures about leasing arrangements. IFRS 16 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients an entity may elect to apply. IFRS 16 also replaces the straight-line operating lease expense for those leases accounted for under IAS 17 with a depreciation charge for the lease asset and an interest expense on the lease liability. This change aligns the lease expense treatment for all leases. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, while early adoption is permitted if IFRS 15 is applied. We will adopt IFRS 16 on January 1, 2019. Although we are currently evaluating the effect that IFRS 16 will have on our consolidated financial statements and related disclosures, the main impact of the adoption of this standard will be the recognition of lease assets and lease liabilities in our consolidated statement of financial position for those leases previously accounted for as operating leases and the replacement of operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities, resulting in a front-loaded total lease expense versus the straight-line operating lease expense. We expect that the impact of the adoption of IFRS 16 will increase cash flows from operating activities and decrease cash flows from financing activities on the consolidated statement of cash flows, as all principal payments on lease liabilities will be presented within financing activities.

(b) We evaluated the impact of applying this accounting standard on our consolidated financial statements and do not believe the impact of the adoption of this standard will be material.

(3) Summary of Significant Accounting Policies

The following accounting policies reflect updates to our *Summary of Significant Accounting Policies* included in our 2017 Annual Report as a result of the adoption of IFRS 15. For additional information regarding the adoption of IFRS 15, see note 2.

Contract Assets

When we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets are reclassified to trade and other receivables, net in our condensed consolidated statement of financial position at the point in time we have the unconditional right to payment. Our contract assets were $10 million and $14 million as of June 30, 2018 and January 1, 2018, respectively. The change in our contract assets during the six months ended June 30, 2018 were not material. The current and noncurrent portion of contract assets are included in other current assets and other noncurrent assets, respectively, in our condensed consolidated statement of financial position.

Deferred Contract Costs

Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are recognized as an asset and amortized to employee and other staff costs over the applicable period benefited, which is the longer of the contract life or the economic life of the commission. If, however, the amortization period is one year or less, we expense such costs in the period incurred. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognized as an expense when incurred. Our deferred contract costs were $9 million as of June 30, 2018 and January 1, 2018. The change in our deferred contract costs during the six months ended June 30, 2018 were not material. The current and noncurrent portion of deferred contract costs are included in other current assets and other noncurrent assets, respectively, in our condensed consolidated statement of financial position.

Deferred Revenue

We record deferred revenue when we have received payment prior to transferring goods or services to a customer. Deferred revenue primarily relates to (i) advanced payments on long-term capacity contracts, fixed subscription services and mobile airtime services and (ii) deferred installation and other upfront fees. Our aggregate current and noncurrent deferred revenue as of June 30, 2018 and December 31, 2017, was $442 million and $372 million, respectively. We recorded an aggregate of $82 million of current and noncurrent deferred revenue on January 1, 2018 upon the adoption of IFRS 15. The remaining changes in the current portion and noncurrent deferred revenue balances during the six months ended June 30, 2018 were not material.

Revenue Recognition

General. Most of our fixed and mobile residential contracts are not enforceable or do not contain substantive early termination penalties. Accordingly, revenue relating to these customers is recognized on a basis consistent with customers that are not subject to contracts.

Subscription Revenue – Fixed Networks. We recognize revenue from video, broadband internet and fixed-line telephony services over our fixed networks to customers in the period the related subscription services are provided. Installation or other upfront fees related to services provided over our fixed networks are generally deferred and recognized as subscription revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

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

Mobile Revenue – General. Consideration from mobile contracts is allocated to airtime services and handset sales based on the relative standalone prices of each performance obligation.

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

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

B2B Revenue – Installation Revenue. We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance.

Sub-sea Network Revenue – Long-term Capacity Contracts. We enter into certain long-term capacity contracts with customers where the customer either pays a fixed fee over time or prepays for the capacity upfront and pays a portion related to operating and maintenance of the network over time. We assess whether prepaid capacity contracts contain a significant financing component. If the financing component is significant, interest expense is accreted over the life of the contract using the effective interest method. The revenue associated with prepaid capacity contracts is deferred and recognized on a straight-line basis over the life of the contract.

Revenue by Major Category

Our revenue by major category is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Residential revenue:				
Residential fixed revenue:				
Subscription revenue (a):				
Video	$ 43.2	$ 39.7	$ 85.9	$ 80.2
Broadband internet	56.4	52.3	110.1	105.1
Fixed-line telephony	25.9	28.1	52.8	57.4
Total subscription revenue	125.5	120.1	248.8	242.7
Non-subscription revenue (b)	16.9	19.3	38.4	42.8
Total residential fixed revenue	142.4	139.4	287.2	285.5
Residential mobile revenue:				
Subscription revenue (a)	151.1	159.7	306.2	321.5
Non-subscription revenue (c)	21.6	21.6	43.7	41.5
Total residential mobile revenue	172.7	181.3	349.9	363.0
Total residential revenue	315.1	320.7	637.1	648.5
B2B revenue:				
B2B other revenue (d)	207.1	204.9	411.3	406.0
Sub-sea network revenue (e)	67.0	58.7	130.1	105.7
Total B2B revenue	274.1	263.6	541.4	511.7
Total	$ 589.2	$ 584.3	$ 1,178.5	$ 1,160.2

(a) Residential fixed and mobile subscription revenue includes amounts received from subscribers for ongoing services.

(b) Residential fixed non-subscription revenue includes, among other items, interconnect and advertising revenue.

(c) Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.

(d) B2B other revenue primarily includes business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other telecommunication operators.

(e) B2B sub-sea network revenue includes long-term capacity contracts with customers where the customer either pays a fixed fee over time or prepays for the capacity upfront and pays a portion related to operating and maintenance of the network over time.

(4) Acquisition

In connection with the Liberty Global acquisition of C&W in 2016 (the **Liberty Global Transaction**) and our acquisition of Columbus International Inc. and its subsidiaries (collectively, **Columbus**) in 2015 (the **Columbus Acquisition**), certain entities (the **Carve-out Entities**) that hold licenses granted by the U.S. Federal Communications Commission (the **FCC**) were transferred to entities not controlled by C&W (collectively, **New Cayman**). The arrangements with respect to the Carve-out Entities, which were executed in connection with the Liberty Global Transaction and the Columbus Acquisition, contemplated that upon receipt of regulatory approval, we would acquire the Carve-out Entities. On March 8, 2017, the FCC granted its approval for our acquisition of the Carve-out Entities. Accordingly, on April 1, 2017, subsidiaries of C&W acquired the Carve-out Entities (the **Carve-out Acquisition**) for an aggregate purchase price of $86 million, which represents the amount due under notes receivable that were exchanged for the equity of the Carve-out Entities.

We have accounted for the Carve-out Acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of the Carve-out Entities based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and opening consolidated balance sheet for the Carve-out Entities at the April 1, 2017 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash and cash equivalents	$ 1.0
Other current assets	34.1
Property and equipment	156.1
Goodwill (a)	22.7
Deferred tax assets	20.5
Other accrued and current liabilities	(86.3)
Deferred tax liabilities	(32.5)
Other noncurrent liabilities	(29.4)
Total purchase price	$ 86.2

(a) The goodwill recognized in connection with the acquisition of the Carve-out Entities is primarily attributable to synergies arising from the acquisition.

(5) Derivative Instruments and Financial Liabilities

Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the U.S. dollar (**$**), the British pound sterling (**£**), the Jamaican dollar (**JMD**) and the Colombian peso (**COP**).

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

	June 30, 2018			December 31, 2017		
	Current (a)	Long-term (a)	Total	Current (a)	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	$ 2.3	$ 116.7	$ 119.0	$ 0.8	$ 37.7	$ 38.5
Embedded derivatives – Sable Senior Notes redemption option	—	10.3	10.3	—	26.0	26.0
	$ 2.3	$ 127.0	$ 129.3	$ 0.8	$ 63.7	$ 64.5
Liabilities – Cross-currency and interest rate derivative contracts (b)	$ 56.8	$ 22.4	$ 79.2	$ 21.4	$ 15.2	$ 36.6

(a) Our current and noncurrent derivative assets are included in other current assets and other noncurrent assets, respectively, and our current and noncurrent derivative liabilities are included in other accrued and current liabilities and other noncurrent liabilities, respectively, in our condensed consolidated statements of financial position.

(b) We consider credit risk relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of $1 million during each of the three months ended June 30, 2018 and 2017 and ($2 million) and nil during the six months ended June 30, 2018 and 2017, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments within financial income (expense) in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 6.

The details of our realized and unrealized gains (losses) on derivative instruments, included in finance income (expense) in our condensed consolidated statements of operations, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Cross-currency and interest rate derivative contracts	$ (4.6)	$ (4.7)	$ 29.8	$ (7.0)
Embedded derivatives	(12.4)	22.7	(15.8)	48.4
Forward exchange contracts	—	1.8	—	1.8
Total	$ (17.0)	$ 19.8	$ 14.0	$ 43.2

Our cash outflows related to derivative instruments during the six months ended June 30, 2018 and 2017 were $8 million and $12 million, respectively, and are classified as operating activities in our condensed consolidated statements of cash flows.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral has not been posted by either party under the derivative instruments of our subsidiary borrowing groups. At June 30, 2018, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of $50 million.

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

Details of our Derivative Instruments

Cross-currency Derivative Contracts

As noted above, we are exposed to foreign currency exchange rate risk in situations where our debt is denominated in a currency other than the functional currency of the operations whose cash flows support our ability to repay or refinance such debt. Although we generally seek to match the denomination of our and our subsidiaries' borrowings with the functional currency of the operations that are supporting the respective borrowings, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the functional currency of the underlying operations (unmatched debt). Our policy is generally to provide for an economic hedge against foreign currency exchange rate movements, whenever possible and cost effective to do so, by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency.

The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts, which are held by our wholly-owned subsidiary, Sable International Finance Limited (**Sable**), at June 30, 2018:

Notional amount due from counterparty		Notional amount due to counterparty		Weighted average remaining life
in millions				in years
$	108.3	JMD	13,817.5	8.6
$	35.4	COP	106,000.0	4.1
£	146.7	$	194.3	0.7

Interest Rate Derivative Contracts

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At June 30, 2018, the U.S. dollar equivalent of the notional amounts of our interest rate swap contracts was $2,975 million, which includes forward-starting derivative instruments, and the related weighted average remaining contractual life was 5.8 years.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At June 30, 2018, the U.S. dollar equivalent of the notional amounts of our basis swaps was $3,750 million, which includes forward-starting instruments, and the related weighted average remaining contractual life was 1.0 years.

Impact of Derivative Instruments on Borrowing Costs

The impact of the derivative instruments, excluding forward-starting derivative instruments, on our borrowing costs at June 30, 2018 was an increase of 24 basis points.

(6) Fair Value Measurements

We measure our derivative instruments at fair value through profit and loss and measure our investment in the U.K. Government Gilts at fair value through other comprehensive income. The reported fair values of our derivative instruments as of June 30, 2018 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

We disclose fair value measurements according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2018, no such transfers were made.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 5. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5. Due to the lack of Level 2 inputs for the valuation of the U.S dollar to Jamaican dollar cross-currency swaps (the **Sable Currency Swaps**) held by Sable, we believe this valuation falls under Level 3 of the fair value hierarchy. The Sable Currency Swaps are our only Level 3 financial instruments. The fair values of the Sable Currency Swaps at June 30, 2018 and December 31, 2017 were $34 million and $22 million, respectively, which are included in other noncurrent liabilities in our condensed consolidated statements of financial position. The change in the fair values of the Sable Currency Swaps resulted in net losses of $7 million and nil during the three months ended June 30, 2018 and 2017, respectively, and $12 million and $4 million during the six months ended June 30, 2018 and 2017, respectively, which are reflected in realized and unrealized gains (losses) on derivative instruments in finance income (expense) in our condensed consolidated statements of operations.

Our investment in U.K. Government Gilts falls under Level 1 of the fair value hierarchy. At June 30, 2018 and December 31, 2017, the carrying values of our investment in U.K. Government Gilts, which are included in other noncurrent assets in our condensed consolidated statements of financial position, were $36 million and $37 million, respectively.

The recurring fair value measurement of the embedded derivative associated with the Sable Senior Notes is determined using observable Level 2 data applying a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model. Under this approach, an interest rate lattice is constructed according to a given short-rate volatility and mean reversion constant as implied by the market at each valuation date.

Other than our debt and finance lease obligations, which are described further in note 10, the carrying values of our financial assets and liabilities approximate their respective fair values, generally due to their short maturities.

Pre-tax amounts recognized in our condensed consolidated statements of operations for the three and six months ended June 30, 2018 and 2017 related to our financial assets and liabilities are as follows:

	Finance income	Finance expense	Other statement of operations effects	Impact on loss before income taxes
	in millions			
Three months ended June 30, 2018:				
Derivative assets and liabilities carried at fair value through our condensed consolidated statement of operations	$ —	$ 17.0	$ —	$ 17.0
Assets carried at cost or amortized cost:				
Trade receivables (a)	—	—	10.8	10.8
Loans receivable	(1.0)	—	—	(1.0)
Cash and cash equivalents	(0.5)	—	—	(0.5)
Liabilities carried at fair value	—	1.9	—	1.9
Liabilities carried at cost or amortized cost	—	71.5	—	71.5
Total	$ (1.5)	$ 90.4	$ 10.8	$ 99.7
Three months ended June 30, 2017:				
Derivative assets and liabilities carried at fair value through our condensed consolidated statement of operations	$ (19.8)	$ —	$ —	$ (19.8)
Assets carried at cost or amortized cost:				
Trade receivables (a)	—	—	12.1	12.1
Loans receivable	(1.4)	—	—	(1.4)
Cash and cash equivalents	(0.5)	—	—	(0.5)
Liabilities carried at fair value	—	16.9	—	16.9
Liabilities carried at cost or amortized cost	—	47.7	—	47.7
Total	$ (21.7)	$ 64.6	$ 12.1	$ 55.0
Six months ended June 30, 2018:				
Derivative assets and liabilities carried at fair value through our condensed consolidated statement of operations	$ (14.0)	$ —	$ —	$ (14.0)
Assets carried at cost or amortized cost:				
Trade receivables (a)	—	—	14.5	14.5
Loans receivable	(2.0)	—	—	(2.0)
Cash and cash equivalents	(1.0)	—	—	(1.0)
Liabilities carried at fair value	—	4.1	—	4.1
Liabilities carried at cost or amortized cost	—	135.5	—	135.5
Total	$ (17.0)	$ 139.6	$ 14.5	$ 137.1
Six months ended June 30, 2017:				
Derivative assets and liabilities carried at fair value through our condensed consolidated statement of operations	$ (43.2)	$ —	$ —	$ (43.2)
Assets carried at cost or amortized cost:				
Trade receivables (a)	—	—	26.6	26.6
Loans receivable	(3.8)	—	—	(3.8)
Cash and cash equivalents	(1.4)	—	—	(1.4)
Liabilities carried at fair value	—	20.0	—	20.0
Liabilities carried at cost or amortized cost	—	108.6	—	108.6
Total	$ (48.4)	$ 128.6	$ 26.6	$ 106.8

(a) The other statement of operations effects for trade receivables represent provisions for impairment of trade receivables and are included in other operating expenses in our condensed consolidated statements of operations.

A reconciliation of the movements in the valuation basis of our financial instruments measured at fair value is as follows:

	Financial assets at fair value through other comprehensive loss	Financial assets at fair value through earnings (loss) for the period	Financial liabilities at fair value through earning (loss) for the period	Total
	in millions			
Balance at January 1, 2018	$ 37.2	$ 64.5	$ (36.6)	$ 65.1
Fair value gain (loss)	—	80.1	(66.1)	14.0
Cash payments (receipts)	—	(15.3)	23.5	8.2
Fair value loss recognized in other comprehensive loss	(0.7)	—	—	(0.7)
Foreign currency translation adjustments and other	(0.7)	—	—	(0.7)
Balance at June 30, 2018	$ 35.8	$ 129.3	$ (79.2)	$ 85.9
Balance at January 1, 2017	$ 32.3	$ 67.7	$ (36.0)	$ 64.0
Fair value gain	—	28.7	14.5	43.2
Cash payments	—	—	12.2	12.2
Transfers	—	17.0	(17.0)	—
Foreign currency translation adjustments and other	3.6	—	—	3.6
Balance at June 30, 2017	$ 35.9	$ 113.4	$ (26.3)	$ 123.0

(7) Trade and Other Receivables

The details of our trade and other receivables, net, are set forth below:

	June 30, 2018	December 31, 2017
	in millions	
Current trade and other receivables:		
Trade receivables – gross (a)	$ 480.2	$ 472.9
Allowance for impairment of trade receivables	(103.5)	(102.9)
Trade receivables, net	376.7	370.0
Unbilled revenue	72.6	72.0
Other receivables (b)	58.7	49.7
Total current trade and other receivables, net	508.0	491.7
Noncurrent – trade and other receivables	2.2	3.1
Total trade and other receivables	$ 510.2	$ 494.8

(a) Amounts include $54 million due from a single government.

(b) Other receivables includes other third-party receivables and value-added taxes (**VAT**) receivables.

(8) Other Assets

The details of our other current assets are set forth as follows:

	June 30, 2018	December 31, 2017
	in millions	
Income taxes receivable	$ 37.0	$ 16.5
Inventory (a)	22.3	28.1
Restricted cash (b)	11.7	38.3
Other current assets	52.8	33.5
Total	$ 123.8	$ 116.4

(a) Inventory is primarily composed of mobile handsets and other device equipment. Inventory is not pledged as security or collateral against any of our borrowings. The cost of inventory held for sale that was expensed during the three months ended June 30, 2018 and 2017 was $21 million and $11 million, respectively, and during the six months ended June 30, 2018 and 2017 was $40 million and $35 million, respectively.

(b) Restricted cash primarily includes funding for seniority provisions in Panama and, at December 31, 2017, cash collateral related to certain loans in Barbados.

The details of our other noncurrent assets are set forth as follows:

	June 30, 2018	December 31, 2017
	in millions	
Reimbursement rights (a)	$ 155.6	$ —
Derivative instruments	127.0	63.7
Note receivable – related-party	62.5	60.5
Deferred income taxes	53.6	36.9
Prepaid expenses	36.6	38.4
U.K. Government Gilts (b)	35.8	37.2
Retirement benefit plan net assets	16.6	15.8
Other noncurrent assets	19.4	14.1
Total	$ 507.1	$ 266.6

(a) Amount relates to an indemnification asset from a government entity related to a pension obligation recognized during the second quarter of 2018, as disclosed in note 11.

(b) Amounts are held as security against certain noncurrent employee benefit plan liabilities. Accordingly, these financial assets are restricted.

(9) Long-lived Assets

Property and Equipment, Net

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

	June 30, 2018	December 31, 2017
	in millions	
Distribution systems	$ 5,119.9	$ 5,068.7
Support equipment, buildings and land	1,102.8	1,081.3
Customer premises equipment	533.2	498.9
Other	43.9	39.7
Assets under construction	148.9	148.9
	6,948.7	6,837.5
Accumulated depreciation	(4,138.9)	(3,960.2)
Total	$ 2,809.8	$ 2,877.3

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization and the related accumulated amortization are set forth below:

	June 30, 2018	December 31, 2017
	in millions	
Customer relationships	$ 664.7	$ 674.2
Software	564.2	563.4
Licensing and operating agreements	153.9	155.7
Brand names	81.0	82.4
	1,463.8	1,475.7
Accumulated amortization	(748.6)	(675.6)
Total	$ 715.2	$ 800.1

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment expense is composed of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Depreciation expense	$ 105.9	$ 95.5	$ 211.2	$ 191.9
Amortization expense	41.3	45.0	80.5	94.0
Total depreciation and amortization	147.2	140.5	291.7	285.9
Impairment expense	0.7	—	2.9	2.0
Total depreciation, amortization and impairment	$ 147.9	$ 140.5	$ 294.6	$ 287.9

(10) Debt and Finance Lease Obligations

The U.S. dollar equivalents of the components of our debt are as follows:

	June 30, 2018		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
				in millions		
C&W Credit Facilities	5.14%	$ 756.5	$ 2,207.7	$ 2,216.4	$ 2,208.9	$ 2,212.2
C&W Notes	7.08%	—	1,655.4	1,749.7	1,643.7	1,648.4
Vendor financing (d)	4.94%	—	55.2	40.0	55.2	40.0
Total debt before discounts and deferred financing costs	5.96%	$ 756.5	$ 3,918.3	$ 4,006.1	$ 3,907.8	$ 3,900.6

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

	June 30, 2018	December 31, 2017
	in millions	
Total debt before discounts and deferred financing costs	$ 3,907.8	$ 3,900.6
Discounts and deferred financing costs	(29.1)	(34.7)
Total carrying amount of debt	3,878.7	3,865.9
Finance lease obligations	10.8	12.7
Total debt and finance lease obligations	3,889.5	3,878.6
Less: Current maturities of debt and finance lease obligations	(293.9)	(164.3)
Long-term debt and finance lease obligations	$ 3,595.6	$ 3,714.3

(a) Represents the weighted average interest rate in effect at June 30, 2018 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our indebtedness was 6.3% at June 30, 2018. For information regarding our derivative instruments, see note 5.

(b) Unused borrowing capacity under the C&W Credit Facilities includes $625 million under the C&W Revolving Credit Facility (as defined below), which represents the maximum availability without regard to covenant compliance calculations or other conditions precedent to borrowing. At June 30, 2018, the full amount of unused borrowing capacity under the C&W Credit Facilities was available to be borrowed, both before and after consideration of the completion of the June 30, 2018 compliance reporting requirements, which include leverage-based payment tests and leverage covenants.

(c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the applicable entity, to the extent available, and other relevant factors. For additional information regarding fair value hierarchies, see note 6.

(d) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our operating expenses. These obligations are generally due within one year and include VAT that were paid on our behalf by the vendor. Our operating expenses include $40 million and $20 million for the six months ended June 30, 2018 and 2017, respectively, that were financed by an intermediary and are reflected as a hypothetical cash outflow within net cash provided by operating activities and a hypothetical cash inflow within net cash provided by financing activities in our condensed consolidated statements of cash flows. Repayments of vendor financing obligations are included in repayments of debt and finance lease obligations in our condensed consolidated statements of cash flows.

2018 Financing Transactions

On January 6, 2018, Cable & Wireless Panama, SA (**C&W Panama**) issued $100 million of subordinated debt. The term loan bears interest at 4.35%, payable on a quarterly basis, and matures in January 2023. The proceeds from the term loan were primarily used to repay existing C&W Panama debt.

On February 7, 2018, C&W entered into a $1,875 million principal amount term loan facility (the **C&W Term Loan B-4 Facility**) . General terms associated with the C&W Term Loan B-4 Facility are substantially the same as those included in "*General Information*" in note 12 to our 2017 Annual Report. The net proceeds of the C&W Term Loan B-4 Facility were used to repay in full the $1,825 million outstanding principal amount of the C&W Term Loan B-3 Facility and repay $40 million drawn under the C&W Revolving Credit Facility. The exchange in principal amounts of $1,825 million was treated as a non-cash transaction in our condensed consolidated statement of cash flows. In connection with this transaction, we recognized a loss on debt extinguishment of $10 million, which represents the write-off of unamortized discounts and deferred financing costs.

On March 7, 2018, we amended and restated the credit agreement originally dated May 16, 2016, as amended and restated as of May 26, 2017, providing for the additional C&W Term Loan B-4 Facility and a $625 million revolving credit facility (the **C&W Revolving Credit Facility**).

The details of our borrowings under the C&W Credit Facilities as of June 30, 2018 are summarized in the following table:

C&W Credit Facilities	Maturity	Interest rate	Facility amount (in borrowing currency)	Unused borrowing capacity	Outstanding principal amount	Carrying value (a)
				in millions		
C&W Term Loan B-4 Facility (b)	January 31, 2026	LIBOR + 3.25%	$ 1,875.0	$ —	$ 1,875.0	$ 1,869.4
C&W Revolving Credit Facility	June 30, 2023	LIBOR + 3.25%	$ 625.0	625.0	—	—
C&W Regional Facilities	various dates ranging from 2018 to 2038	4.02% (c)	$ 465.4	131.5	333.9	332.9
Total				$ 756.5	$ 2,208.9	$ 2,202.3

(a) Amounts are net of discounts and deferred financing costs, where applicable.

(b) The C&W Term Loan B-4 Facility was issued at 99.875% of par and is subject to a LIBOR floor of 0.0%

(c) Represents a weighted average rate for all C&W Regional Facilities.

Maturities of Debt and Finance Lease Obligations

Maturities of our debt and finance lease obligations as of June 30, 2018 are presented below. Such amounts represent U.S. dollar equivalents based on June 30, 2018 exchange rates:

	Debt	Finance lease obligations	Total
		in millions	
Year ending December 31:			
2018 (remainder of year)	$ 160.3	$ 9.4	$ 169.7
2019	462.8	1.5	464.3
2020	225.8	0.1	225.9
2021	322.7	—	322.7
2022	959.8	—	959.8
2023	250.9	—	250.9
Thereafter	2,944.3	—	2,944.3
Total debt maturities	5,326.6	11.0	5,337.6
Discounts and deferred financing costs	(29.1)	—	(29.1)
Amounts representing interest	(1,418.8)	(0.2)	(1,419.0)
Total	$ 3,878.7	$ 10.8	$ 3,889.5
Current portion	$ 284.8	$ 9.1	$ 293.9
Noncurrent portion	$ 3,593.9	$ 1.7	$ 3,595.6

(11) Other Liabilities

The details of our other accrued and current liabilities are set forth as follows:

	June 30, 2018	December 31, 2017
	in millions	
Accrued and other operating liabilities	$ 272.2	$ 257.4
Derivative instruments and other financial liabilities	56.8	21.4
Current tax liabilities	51.0	34.0
Payroll and employee benefits	49.6	42.8
Subscriber deposits	47.0	47.1
Provisions	41.0	13.2
Other accrued expenses – related-party	10.7	11.1
Total	$ 528.3	$ 427.0

The details of our other noncurrent liabilities are set forth as follows:

	June 30, 2018	December 31, 2017
	in millions	
Net defined benefit obligations (a)	$ 202.4	$ 48.4
Tax liabilities	49.3	47.1
Provisions	36.5	36.1
Derivative instruments and other financial liabilities	22.4	15.2
Accrued capital expenditures	7.5	10.9
Total	$ 318.1	$ 157.7

(a) Includes an obligation recognized during the second quarter of 2018 that is offset by an indemnification asset from a government entity, as disclosed in note 8. In addition, in connection with a mid-year actuarial valuation of the Cable & Wireless Superannuation Fund during 2017, we recorded an actuarial loss in the value of our defined benefit pension plans of $42 million for the three and six months ended June 30, 2017 in our condensed consolidated statement of comprehensive loss.

(12) Provisions

A summary of changes in our provisions for liabilities and charges during the six months ended June 30, 2018 is set forth in the table below:

	Restructuring	Network and asset retirement obligations	Legal and other	Total
		in millions		
January 1, 2018	$ 3.2	$ 36.1	$ 10.0	$ 49.3
Additional provisions	46.2	1.1	0.2	47.5
Amounts used	(17.8)	—	(0.6)	(18.4)
Foreign currency translation adjustments and other	—	(0.7)	(0.2)	(0.9)
June 30, 2018	$ 31.6	$ 36.5	$ 9.4	$ 77.5
Current portion	$ 31.6	$ —	$ 9.4	$ 41.0
Noncurrent portion	—	36.5	—	36.5
	$ 31.6	$ 36.5	$ 9.4	$ 77.5

Our restructuring charges during the six months ended June 30, 2018 include employee severance and termination costs related to reorganization activities, primarily in the Bahamas and Panama.

(13) Income Taxes

We evaluate and update our estimated annual effective income tax rate on a quarterly basis based on current and forecasted operating results and tax laws. For interim tax reporting, we estimate an annual effective tax rate which is applied to year-to-date ordinary income or loss. The tax effect of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

Our interim estimate of our annual effective tax rate and our interim tax provision are subject to volatility due to factors such as jurisdictions in which our deferred taxes and/or tax attributes are subject to a full valuation allowance, relative changes in unrecognized tax benefits and changes in tax laws. Based upon the mix and timing of our actual annual earnings or loss compared to annual projections, as well as changes in the factors noted above, our effective tax rate may vary quarterly and may make quarterly comparisons not meaningful.

Our effective income tax rate was (96.5)% and (302.3)% for the three months ended June 30, 2018 and 2017, respectively, and (60.6)% and (180.8)% for the six months ended June 30, 2018 and 2017, respectively, including items treated discretely. For the three and six months ended June 30, 2018, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to the detrimental effects of international rate differences, increases in valuation allowances, tax withholdings on intra-group dividends, and non-deductible expenses, partially offset by the beneficial effects of non-taxable income. For the three and six months ended June 30, 2017, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to international rate differences, tax withholdings on intra-group dividends, enacted tax law and rate changes and non-deductible or non-taxable interest and other expenses.

The combined details of our current and deferred income tax expense (benefit) that are included in our condensed consolidated statements of operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Current tax expense	$ 28.7	$ 24.4	$ 42.0	$ 44.2
Deferred tax benefit	(6.6)	(11.1)	(10.2)	(30.1)
Total income tax expense	$ 22.1	$ 13.3	$ 31.8	$ 14.1

(14) Owners' Equity

During the first half of 2018, we increased our ownership in Cable & Wireless Jamaica Limited (**C&W Jamaica**) from 82.0% to 92.3% by acquiring 1,727,047,174 of the issued and outstanding ordinary stock units of C&W Jamaica that we did not already own (the **C&W Jamaica NCI Acquisition**) for JMD $1.45 per share or JMD $2,504 million ($20 million at the transaction dates) of paid consideration. In connection with the C&W Jamaica NCI Acquisition, we incurred approximately $1 million in transaction fees.

(15) Finance Expense and Finance Income

Finance expense is composed of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Interest expense on third-party debt	$ 62.2	$ 60.8	$ 120.5	$ 120.4
Realized and unrealized losses on derivative instruments	17.0	—	—	—
Foreign currency transaction losses, net	—	6.0	14.3	13.5
Imputed interest on revenue contracts	8.6	—	13.7	—
Losses on debt extinguishment	—	28.2	9.8	28.2
Amortization of debt financing costs and discounts	1.4	2.7	3.0	5.3
Other financial expense items	1.2	1.1	2.4	4.9
Total	$ 90.4	$ 98.8	$ 163.7	$ 172.3

Finance income is composed of the following:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	in millions			
Realized and unrealized gains on derivative instruments	$ —	$ 19.8	$ 14.0	$ 43.2
Interest on related-party loans receivable	1.0	1.4	2.0	3.8
Dividend income	—	—	1.7	—
Interest on cash and bank deposits	0.5	0.5	1.0	1.4
Foreign currency transaction gains, net	2.2	—	—	—
Other financial income items	—	4.5	—	4.5
Total	$ 3.7	$ 26.2	$ 18.7	$ 52.9

(16) Employee and Other Staff Expenses

Our employee and other staff expenses are composed of the following:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	in millions			
Salaries and wages	$ 67.2	$ 67.9	$ 135.7	$ 133.9
Severance and other termination benefits	8.0	4.7	46.2	13.8
Contract labor and other	6.1	6.3	12.7	11.6
Benefit plans	2.9	2.1	11.0	4.3
Social security costs	3.1	3.5	6.7	7.1
Other costs	5.0	3.3	8.6	7.2
Total	$ 92.3	$ 87.8	$ 220.9	$ 177.9

(17) Other Operating Expense

Our other operating expenses are composed of the following:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	in millions			
Marketing and advertising expenses	$ 16.4	$ 16.3	$ 32.1	$ 30.8
Consultancy costs	12.6	13.0	27.3	32.9
Property and utilities costs	16.0	15.3	30.6	29.1
License fees, duties, tariffs and other related expenses	9.9	13.5	19.7	23.0
Information technology costs	9.3	8.1	17.4	15.6
Fees and allocations – related-party	7.0	2.6	13.6	2.6
Bad debt and collection expenses	14.2	13.9	20.6	30.5
Direct acquisition costs	—	1.1	5.7	3.3
Other items	24.4	30.8	51.6	59.0
Total	$ 109.8	$ 114.6	$ 218.6	$ 226.8

(18) Related-party Transactions

Our related-party transactions consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Revenue	$ 1.8	$ 0.9	$ 3.0	$ 5.8
Operating costs	(0.9)	(0.9)	(1.1)	(1.6)
Fees and allocations	(7.0)	(2.6)	(13.6)	(2.6)
Included in operating income	(6.1)	(2.6)	(11.7)	1.6
Interest income	1.0	1.4	2.0	3.8
Included in net loss	$ (5.1)	$ (1.2)	$ (9.7)	$ 5.4

General. We consider other subsidiaries of Liberty Latin America, Liberty Global, and subsidiaries of Liberty Global to each be a related party (collectively, the **Related Parties**). Beginning in the second quarter of 2017 and continuing until the split-off of Liberty Latin America from Liberty Global on December 29, 2017 (the **Split-Off**), Liberty Global charged fees to our company based on our estimated share of the actual costs incurred by Liberty Global's operations, without a mark-up. Subsequent to the Split-Off, these items are now charged or allocated to our company from subsidiaries of Liberty Latin America. Although we believe the related-party fees and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Revenue. These amounts represent certain transactions with another subsidiary of Liberty Latin America that arise in the normal course of business, which include fees for the use of our products and services and network and access charges.

Operating costs. These amounts represent (i) fees associated with our use of products and services, network and access charges from another subsidiary of Liberty Latin America and, to a lesser extent, (ii) certain technical and information technology services (including software development services associated with the Connect Box and the Horizon platform, management information systems, computer, data storage, and network and telecommunications services) provided by Liberty Global.

Fees and allocations. These amounts represent fees charged to our company by the Related Parties. These amounts include charges for management, finance, legal, technology and other corporate and administrative services provided to our company. These amounts are expected to be cash settled. The categories of our fees and allocations are as follows:

- *Other operating expenses (exclusive of share-based compensation).* During the three and six months ended June 30, 2018, we incurred $4 million and $10 million, respectively, in fees and allocations associated with other operating expenses. These amounts represent our estimated share of certain centralized technology, management, marketing, finance and other operating expenses of the Related Parties' operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of the Related Parties, without a mark-up. Amounts in this category are generally deducted to arrive at our "EBITDA" metric specified by our debt agreements (**Covenant EBITDA**).

- *Share-based compensation.* During the three and six months ended June 30, 2018, we incurred $2 million and $3 million, respectively, in fees and allocations associated with share-based compensation. These amounts represent our estimated share of the actual costs incurred by the operations of the Related Parties, without a mark-up, associated with employees of the Related Parties who are not employees of our company.

- *Management fee.* During the three and six months ended June 30, 2018, we incurred nil and $1 million, respectively, in fees and allocations associated with management fees. These amounts represent our estimated allocable share of the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Interest income. These amounts represent interest income on the LGE Coral Holdco Note, as further described below.

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

	June 30, 2018	December 31, 2017
	in millions	
Assets:		
Trade and other receivables (a)	$ 5.8	$ 3.0
Other current assets (b)	5.5	—
Total current assets	11.3	3.0
Noncurrent assets – note receivable (c)	62.5	60.5
Total assets	$ 73.8	$ 63.5
Liabilities:		
Trade and other payables (d)	$ 21.2	$ 7.1
Other accrued and current liabilities (e)	10.8	11.1
Deferred revenue (f)	0.9	0.9
Total current liabilities	32.9	19.1
Noncurrent liabilities – deferred revenue (f)	5.7	6.1
Total liabilities	$ 38.6	$ 25.2

(a) Represents non-interest bearing receivables due from (i) another subsidiary of Liberty Latin America and (ii) Liberty Global. These amounts are included in trade and other receivables in our condensed consolidated statements of financial position.

(b) Represents self-insurance advance payments made by the Captive to Liberty Puerto Rico, as further described below.

(c) Represents principal of $61 million and accrued interest as of June 30, 2018 related to a note receivable due from LGE Coral Holdco (the **LGE Coral Holdco Note**), primarily related to certain fees and taxes we paid on our parent company's behalf in 2016. The LGE Coral Holdco Note bears interest at 6.41% per annum, matures in May 2025 and is denominated in British pounds sterling. Accrued interest is generally transferred to the principal balance of the LGE Coral Holdco Note on January 1.

(d) Primarily represents non-interest bearing payables due to (i) Liberty Latin America related to the charges noted above and (ii) certain Liberty Global subsidiaries.

(e) Primarily represents amounts accrued by the Captive in connection with its expected share of self-insurance obligations for hurricane losses sustained by Liberty Puerto Rico in 2017.

(f) Represents deferred revenue associated with certain indefeasible rights of use arrangements with another subsidiary of Liberty Latin America.

At the time of Hurricanes Irma and Maria, Liberty Latin America maintained an integrated group property and business interruption insurance program covering all of our markets, with a limit of up to $75 million per occurrence, which is generally subject to $15 million per occurrence of self-insurance, of which up to $3 million is generally the responsibility of the impacted markets and $12 million is provided through one of our wholly-owned subsidiaries, Cable & Wireless Communications Insurance, Ltd., which is a captive insurance entity (the **Captive**). The business interruption insurance program covers all markets of Liberty Latin America, including operations in Puerto Rico (Liberty Cablevision of Puerto Rico LLC (**Liberty Puerto Rico**)) and Chile (VTR.com SpA (**VTR**)), neither of which are consolidated by C&W. Under this program, the markets of Liberty Latin America, including Liberty Puerto Rico and VTR, pay insurance premiums to the third-party insurance carriers, while the Captive receives premiums from the third-party insurance carriers related to the Captive's retained risk.

Liberty Puerto Rico has sustained significant losses from Hurricane Maria, and to a lesser extent Hurricane Irma, primarily as a result of service outages and costs required to restore its network. Although the management of Liberty Latin America is continuing to assess the alternatives under our insurance policy, they currently believe that Hurricane Maria will result in at least one occurrence for the markets impacted, most significantly in Puerto Rico. During the six months ended June 30, 2018, under the self-insurance obligations C&W retained, the Captive made an advance payment of $6 million associated with damages sustained by Liberty Puerto Rico from Hurricane Maria. Until the initial insurance claims filed in connection with Hurricane Maria are legally settled, the advance is included in other current assets in our condensed consolidated statement of financial position.

At June 30, 2018, $11 million has been accrued with respect to the Captive's expected share of self-insurance obligations for hurricane losses sustained by Liberty Puerto Rico. The Captive's ultimate self-insurance obligation related to Liberty Puerto Rico will depend on the number of occurrences and the amount of covered claims at Liberty Puerto Rico under the integrated policy.

(19) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to network and connectivity commitments, purchases of customer premises equipment, programming contracts, non-cancellable operating leases and other items. The following table sets forth the U.S. dollar equivalents of such commitments as of June 30, 2018:

	Payments due during:							
	Remainder of 2018	2019	2020	2021	2022	2023	Thereafter	Total
	in millions							
Network and connectivity commitments	$ 40.8	$ 40.5	$ 23.7	$ 15.8	$ 12.1	$ 11.5	$ 16.9	$ 161.3
Purchase commitments	124.2	22.4	9.6	0.2	—	—	—	156.4
Operating leases	8.8	11.6	9.9	6.9	5.9	3.9	8.8	55.8
Programming commitments	31.4	12.7	7.3	2.5	—	—	—	53.9
Other commitments	4.9	1.4	0.2	—	—	—	—	6.5
Total (a)	$ 210.1	$ 88.6	$ 50.7	$ 25.4	$ 18.0	$ 15.4	$ 25.7	$ 433.9

(a) The commitments included in this table do not reflect any liabilities that are included in our June 30, 2018 condensed consolidated statement of financial position.

Network and connectivity commitments include our domestic network service agreements with certain other telecommunications companies. The amounts reflected in the above table with respect to these commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including call center, information technology and maintenance services.

Programming commitments consist of obligations associated with certain programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. Programming costs in our consolidated statements of operations include the amortization of certain live-programming rights in certain of our markets.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the six months ended June 30, 2018 and 2017, see note 5.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future. In addition, we have provided indemnifications of (i) up to $300 million with respect to any potential tax-related claims related to the disposal in April 2013 of our interests in certain businesses and (ii) an unlimited amount of qualifying claims associated with the disposal of another business in May 2014. The first indemnification expires in April 2020 and the second expires in May 2020. We do not expect that either of these arrangements will require us to make material payments to the indemnified parties.

Legal and Regulatory Proceedings and Other Contingencies

COTT Claim. In 2015, a claim was filed against a subsidiary of Columbus by the Copyright Music Organization of Trinidad and Tobago (**COTT**) for damages of copyright infringement related to musical works transmitted by the subsidiary. We have recorded a provision based on our best estimate of the potential liability associated with this claim. While we generally expect that the amounts required to satisfy this contingency will not materially differ from the estimated amount we have accrued, no assurance can be given that the resolution of the COTT claim will not result in a material impact on our results of operations, cash flows or financial position.

Regulatory. The Liberty Global Transaction triggered regulatory approval requirements in certain jurisdictions in which we operate. The regulatory authorities in certain of these jurisdictions, including the Bahamas, Trinidad and Tobago and the Seychelles, have not completed their review of the acquisition or granted their approval. While we expect to receive all outstanding approvals, such approvals may include binding conditions or requirements that could have an adverse impact on our operations and financial condition.

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

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

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2017 Annual Report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and six months ended June 30, 2018 and 2017.
- *Material Changes in Financial Condition.* This section provides an analysis of our parent and subsidiary liquidity, condensed consolidated statements of cash flows and contractual commitments.

The capitalized terms used below have been defined in the notes to our condensed consolidated financial statements. In the following text, the terms "**we**," "**our**," "**our company**" and "**us**" may refer, as the context requires, to C&W or collectively to C&W and its subsidiaries.

Unless otherwise indicated, convenience translations into U.S. dollars are calculated as of June 30, 2018.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding: our business, product and foreign currency; the anticipated rate and cost of our recovery in certain markets from the impact of Hurricanes Maria and Irma, including our insurance proceeds; our property, equipment and intangible asset additions in 2018; competitive, regulatory and economic factors; anticipated changes in our revenue, costs or growth rates; our liquidity and interest rate risks; foreign currency risks; target leverage levels; compliance with debt covenants; our future projected contractual commitments and cash flows; and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the industries in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates, inflation rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- customer acceptance of our existing service offerings, including our video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;

- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from and implement our business plan with respect to the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the U.K. or in other countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors, including third-party channel providers and broadcasters, to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our network extension and upgrade programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services, including property and equipment additions;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, hurricanes and other natural disasters, pandemics and other similar events.

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

Overview

General

We are a subsidiary of Liberty Latin America that provides mobile, broadband internet, fixed-line telephony and video services to residential and business customers and managed services to business and government customers. We primarily operate in the Caribbean and Latin America, providing consumer, B2B and networks services across 18 countries. In addition, we deliver B2B communication services and provide wholesale communication services over our sub-sea and terrestrial fiber optic cable networks that connect over 40 markets across the region. Our primary markets include Panama, Jamaica, the Bahamas, Barbados and Trinidad and Tobago.

Business Update – Disclosure controls and procedures

As of June 30, 2018, we identified deficiencies in our general information technology controls (**GITCs**) related to:

- program change controls designed to restrict information technology (**IT**) program developers' access rights to IT systems;
- user access controls designed to restrict IT and financial users' access privileges to IT systems commensurate with their assigned authorities and responsibilities; and
- monitoring controls designed to actively monitor program changes and user access activities to ensure that any program changes and user access were appropriate and that any deficiencies were investigated and remediated.

As such, we concluded that we did not have effective GITCs over several technology systems as of June 30, 2018, resulting in a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. These control deficiencies did not result in material misstatements in our condensed consolidated financial statements as of and for the period ended June 30, 2018.

We have initiated a plan to remediate the material weakness identified above, including (i) implementing preventive user access controls and monitoring controls to identify and resolve inappropriate user access, including improper segregation of duties, and (ii) implementing monitoring controls for changes made to the systems. These remediation efforts began in the third quarter of 2018 and we believe the new controls, when fully implemented, will strengthen our internal control over financial reporting and remediate the material weakness identified.

Operations

As described below, Hurricanes Irma and Maria caused significant damage to our operations in the Impacted Markets, as defined below, resulting in disruptions to our telecommunications services. As we are still in the process of assessing the operational impacts of the hurricanes in the Impacted Markets, we are unable to accurately estimate our homes passed and subscriber numbers as of June 30, 2018. Accordingly, the June 30, 2018 subscriber numbers for the Impacted Markets reflect subscriber amounts as of August 31, 2017 as adjusted through June 30, 2018 for (i) net voluntary disconnects and (ii) disconnects related to customers whose accounts are delinquent.

At June 30, 2018 we (i) provided services to 3,311,200 mobile subscribers and (ii) owned and operated networks that passed 1,968,600 homes and served 1,639,200 revenue generating units (**RGUs**), comprising, 639,800 broadband internet subscribers, 596,200 fixed-line telephony subscribers and 403,200 video subscribers.

Hurricane Impact Update

In September 2017, Hurricanes Irma and Maria impacted a number of our markets in the Caribbean, resulting in varying degrees of damage to homes, businesses and infrastructure in these markets. The most notable markets that continue to be impacted are the British Virgin Islands and Dominica (the **Impacted Markets**). Services to most of our fixed-line customers in these markets have not yet been restored. While mobile services have been largely restored in the Impacted Markets, we are still in the process of completing the restoration of our mobile network infrastructure. In addition to network damage, these markets are also dealing with extensive damage to homes, businesses and essential infrastructure. We continue to remain uncertain as to the extent and ultimate completion of our restoration and reconnection efforts in the Impacted Markets.

At the time of Hurricanes Irma and Maria, we maintained an integrated group property and business interruption insurance program covering all of our markets, including the Impacted Markets, with a limit of up to $75 million per occurrence, which is generally subject to $15 million per occurrence of self-insurance. Although we are continuing to assess the alternatives under this insurance policy, we currently believe that the hurricanes will result in at least two occurrences. This policy is subject to the normal terms and conditions applicable to this type of insurance. We expect that the insurance recovery will only cover a portion of the incurred losses of each of our impacted businesses. For additional information, see note 18 to our condensed consolidated financial statements.

During the six months ended June 30, 2018, under the self-insurance obligations C&W retained, the Captive made an advance payment of $6 million associated with damages sustained by Liberty Puerto Rico from Hurricane Maria. Until the initial insurance claims filed in connection with Hurricane Maria are legally settled, the advance is included in other current assets in our condensed consolidated statement of financial position.

We currently estimate that approximately $50 million of property and equipment additions will be required to restore nearly all of the damaged networks in the markets impacted by the hurricanes, of which approximately $33 million has been incurred following the hurricanes through June 30, 2018. The negative impacts of the hurricanes are declining as the networks are restored and customers are reconnected, and we do not expect there to be a material impact from the hurricanes on our revenue and Adjusted EBITDA (as defined below) during 2018.

As we use the term, "**Adjusted EBITDA**" is defined as EBITDA (earnings before net finance expense (income), income taxes and depreciation, amortization and impairment) before share-based compensation, provisions and provision releases related to significant litigation and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, (iii) related-party fees and allocations, (iv) other acquisition-related items, such as gains and losses on the settlement of contingent consideration, (v) restructuring provisions or provision releases and (vi) equity earnings or losses from affiliates.

Material Changes in Results of Operations

The comparability of our operating results is affected by the Carve-out Acquisition on April 1, 2017 and, to a lesser extent, foreign currency translation effects (**FX**). For further information on the Carve-out Acquisition, see note 4 to our condensed consolidated financial statements.

In the following discussion, we quantify the estimated impact of acquisitions (the **Acquisition Impact**) on our operating results. The Acquisition Impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. Accordingly, in the following discussion, (i) organic increases exclude the operating results of an acquired entity during the first 12 months following the date of acquisition and (ii) the calculation of our organic change percentages exclude the Acquisition Impact of such entity.

Changes in foreign currency exchange rates may have a significant impact on our operating results as certain of our subsidiaries have functional currencies other than the U.S. dollar. Our primary exposure to FX risk during 2018 was to the Jamaican dollar and the Trinidad and Tobago dollar. In addition, our operating results are impacted by changes in the exchange rates for other local currencies in Latin America, the Caribbean and the Seychelles. The impacts to the various components of our results of operations that are attributable to changes in FX are highlighted below.

We are subject to inflationary pressures with respect to certain costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our reportable segments. Any cost increases that we are not able to pass on to our subscribers would result in increased pressure on our operating margins.

Revenue

We derive our revenue primarily from (i) B2B communications services, which includes our sub-sea network services, (ii) residential mobile services and (iii) residential communications services, including broadband internet, video and fixed-line telephony services.

While not specifically discussed in the below explanations of the changes in our revenue, we are experiencing significant competition in all of our markets. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable, (**ARPU**).

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (i) changes in prices, (ii) changes in bundling or promotional discounts, (iii) changes in the tier of services selected, (iv) variances in subscriber usage patterns and (v) the overall mix of fixed and mobile products during the period. In the following discussion, we discuss ARPU changes in terms of the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

Our revenue by major category is set forth below:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Increase (decrease) $	Increase (decrease) %
	in millions, except percentages			
Residential revenue:				
Residential fixed revenue:				
Subscription revenue:				
Video	$ 43.2	$ 39.7	$ 3.5	8.8
Broadband internet	56.4	52.3	4.1	7.8
Fixed-line telephony	25.9	28.1	(2.2)	(7.8)
Total subscription revenue	125.5	120.1	5.4	4.5
Non-subscription revenue	16.9	19.3	(2.4)	(12.4)
Total residential fixed revenue	142.4	139.4	3.0	2.2
Residential mobile revenue:				
Subscription revenue	151.1	159.7	(8.6)	(5.4)
Non-subscription revenue	21.6	21.6	—	—
Total residential mobile revenue	172.7	181.3	(8.6)	(4.7)
Total residential revenue	315.1	320.7	(5.6)	(1.7)
B2B revenue:				
B2B other revenue	207.1	204.9	2.2	1.1
Sub-sea network revenue	67.0	58.7	8.3	14.1
Total B2B revenue	274.1	263.6	10.5	4.0
Total	$ 589.2	$ 584.3	$ 4.9	0.8

	Six months ended June 30, 2018	Six months ended June 30, 2017	Increase (decrease) $	Increase (decrease) %
	in millions, except percentages			
Residential revenue:				
Residential fixed revenue:				
Subscription revenue:				
Video	$ 85.9	$ 80.2	$ 5.7	7.1
Broadband internet	110.1	105.1	5.0	4.8
Fixed-line telephony	52.8	57.4	(4.6)	(8.0)
Total subscription revenue	248.8	242.7	6.1	2.5
Non-subscription revenue	38.4	42.8	(4.4)	(10.3)
Total residential fixed revenue	287.2	285.5	1.7	0.6
Residential mobile revenue:				
Subscription revenue	306.2	321.5	(15.3)	(4.8)
Non-subscription revenue	43.7	41.5	2.2	5.3
Total residential mobile revenue	349.9	363.0	(13.1)	(3.6)
Total residential revenue	637.1	648.5	(11.4)	(1.8)
B2B revenue:				
B2B other revenue	411.3	406.0	5.3	1.3
Sub-sea network revenue	130.1	105.7	24.4	23.1
Total B2B revenue	541.4	511.7	29.7	5.8
Total	$ 1,178.5	$ 1,160.2	$ 18.3	1.6

Total revenue. The increases in revenue during the three and six months ended June 30, 2018, as compared to the corresponding periods in 2017, include an increase of $10 million during the six-month period attributable to the impact of the Carve-out Acquisition and increases of $1 million and $3 million, respectively, attributable to FX. Excluding the effects of the Carve-out Acquisition and FX, revenue increased $4 million or 0.6% and $6 million or 0.5%, respectively.

As further described in notes 2 and 3 to our condensed consolidated financial statements, we adopted IFRS 15 effective January 1, 2018 using the cumulative effect transition method.

The details of the changes in our revenue during the three and six months ended June 30, 2018, as compared to the corresponding periods in 2017, are set forth below:

	Three-month period			Six-month period		
	Subscription revenue	Non-subscription	Total	Subscription revenue	Non-subscription	Total
			in millions			
Increase (decrease) in residential fixed subscription revenue due to change in:						
Average number of RGUs (a)	$ 6.6	$ —	$ 6.6	$ 9.2	$ —	$ 9.2
ARPU (b)	(1.1)	—	(1.1)	(3.3)	—	(3.3)
Decrease in residential fixed non-subscription revenue (c)	—	(2.4)	(2.4)	—	(4.3)	(4.3)
Total increase (decrease) in residential fixed revenue	5.5	(2.4)	3.1	5.9	(4.3)	1.6
Increase (decrease) in residential mobile revenue (d)	(8.9)	—	(8.9)	(16.0)	2.2	(13.8)
Increase in B2B other revenue (e)	—	1.7	1.7	—	2.1	2.1
Increase in B2B sub-sea network revenue (f)	—	8.0	8.0	—	16.1	16.1
Total organic increase (decrease)	(3.4)	7.3	3.9	(10.1)	16.1	6.0
Impact of the Carve-out Acquisition	—	—	—	—	9.5	9.5
Impact of FX	0.2	0.8	1.0	0.9	1.9	2.8
Total	$ (3.2)	$ 8.1	$ 4.9	$ (9.2)	$ 27.5	$ 18.3

(a) The increases are primarily attributable to higher broadband internet RGUs.

(b) The decreases are attributable to the net effect of (i) lower ARPU from fixed-line telephony and broadband internet services, (ii) higher ARPU from video services and (iii) improvements in RGU mix.

(c) The decrease during the three-month comparison is due to individually insignificant changes across our markets. The decrease during the six-month comparison is mostly due to (i) lower revenue in Panama due primarily to (a) a decrease in interconnect revenue mainly due to lower fixed-line telephony termination volumes and (b) less pay phone revenue, (ii) lower advertising revenue and late fees in the Bahamas and (iii) individually insignificant changes across our other markets.

(d) The decreases in mobile subscription revenue are primarily attributable to lower average subscribers in the Bahamas and Panama, largely driven by continued competition. The changes in mobile non-subscription revenue are primarily attributable to the net effect of (i) increases in revenue from handset sales in Panama and (ii) decreases in revenue from handset sales in the Bahamas and Jamaica.

(e) The increases are primarily attributable to the net effect of (i) increased project-related revenue in managed services, largely driven by Networks & LatAm and Jamaica, (ii) during the six-month comparison, decreased revenue from mobile data services in Panama, (iii) lower revenue from fixed-line telephony services in Barbados and (iv) individually insignificant changes across our other markets.

(f) The increases are primarily due to the net effect of (i) increases from the adoption of IFRS 15, as further described in notes 2 and 3 to our condensed consolidated financial statements, (ii) increased capacity sales on our sub-sea network to new and existing customers and (iii) a decrease of $5 million associated with sub-sea revenue recognized on a cash basis during the second quarter of 2017 related to services provided to a significant customer in prior quarters.

Operating Costs and Expenses

The details of our operating costs and expenses are as follows:

	Three months ended June 30,		Increase (decrease)	
	2018	2017	$	%
	in millions, except percentages			
Employee and other staff expenses (a)	$ 92.3	$ 87.8	$ 4.5	5.1
Mobile access and interconnect costs	59.4	59.3	0.1	0.2
Network costs (b)	45.3	39.5	5.8	14.7
Programming expenses (c)	33.7	38.3	(4.6)	(12.0)
Equipment sales expenses (d)	21.7	25.1	(3.4)	(13.5)
Managed services costs	15.4	13.0	2.4	18.5
Depreciation and amortization (e)	147.2	140.5	6.7	4.8
Impairment expense	0.7	—	0.7	N.M.
Other operating expenses (f)	109.8	114.6	(4.8)	(4.2)
Other operating income	(0.1)	(2.0)	1.9	(95.0)
Total	$ 525.4	$ 516.1	$ 9.3	1.8

	Six months ended June 30,		Increase (decrease)	
	2018	2017	$	%
	in millions, except percentages			
Employee and other staff expenses (a)	$ 220.9	$ 177.9	$ 43.0	24.2
Mobile access and interconnect costs	117.7	114.8	2.9	2.5
Network costs	91.6	90.4	1.2	1.3
Programming expenses (c)	70.9	75.0	(4.1)	(5.5)
Equipment sales expenses (d)	41.2	49.6	(8.4)	(16.9)
Managed services costs	30.6	28.4	2.2	7.7
Depreciation and amortization (e)	291.7	285.9	5.8	2.0
Impairment expense	2.9	2.0	0.9	45.0
Other operating expenses (f)	218.6	226.8	(8.2)	(3.6)
Other operating income	(0.1)	(2.2)	2.1	(95.5)
Total	$ 1,086.0	$ 1,048.6	$ 37.4	3.6

N.M. – Not meaningful.

The increases in our consolidated operating costs and expenses during the three and six months ended June 30, 2018, as compared to the corresponding periods in 2017, include an increase of $11 million during the six-month period attributable to the impact of the Carve-out Acquisition and increases of $1 million and $2 million, respectively, due to FX. Excluding the effects of the Carve-out Acquisition and FX, our operating costs and expenses increased $8 million or 1.6% and $24 million or 2.3%, respectively. These increases include the following factors:

(a) Increases in employee and other staff expenses of $4 million or 4.6% and $42 million or 23.4%, respectively, primarily attributable to (i) increases of $3 million and $32 million, respectively, in employee severance and termination costs related to certain reorganization activities, primarily in Panama and the Bahamas, and (ii) higher incentive compensation costs during the six-month period;

(b) An increase in network-related expenses of $6 million or 14.9% during the three-month comparison, primarily due to network restoration costs, including costs associated with (i) sub-sea fiber repairs and (ii) damages sustained from Hurricanes Irma and Maria;

(c) Decreases in programming and copyright costs of $4 million or 11.6% and $4 million or 5.4%, respectively, primarily due to lower content costs associated with renegotiated contracts and content cost synergies;

(d) Decreases in mobile handset costs of $3 million or 13.9% and $9 million or 17.2%, respectively, primarily due to lower mobile handset sales;

(e) Increases in depreciation and amortization expense of $7 million or 4.7% and $2 million or 0.8%, respectively, primarily attributable to the net effect of (i) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, (ii) accelerated amortization expense during 2017, primarily in Jamaica and Trinidad and Tobago, in connection with alignment to our ultimate parent's accounting policies for customer relationships, (iii) lower amortization expense associated with the replacement of certain spectrum licenses in Panama during the fourth quarter of 2017 and (iv) decreases associated with certain assets becoming fully depreciated; and

(f) Decreases in other operating expenses of $5 million or 4.4% and $10 million or 4.6%, respectively, primarily attributable to the net effect of (i) a decline during the six-month comparison of bad debt expense mainly due to (a) better than expected collections in 2018, including a $3 million recovery during the first quarter related to provisions established following the impacts of Hurricanes Irma and Maria, and (b) a decrease resulting from provisions recorded during the first quarter of 2017 in connection with Hurricane Matthew, (ii) an increase in related party fees and allocations, as further described in note 18 to our condensed consolidated financial statements, (iii) higher licensing fees in 2017, largely due to $4 million recorded in the second quarter of 2017 related to a reassessment of fees for prior-year periods, and (iv) net decreases resulting from other individually insignificant changes in other operating expense categories.

Financial income (expense)

Financial income (expense) primarily includes interest expense, interest income, realized and unrealized gains or losses on our derivative instruments, foreign currency transaction gains or losses, net, and losses on debt extinguishment. As further described below and in note 15 to our condensed consolidated financial statements, we recorded total financial expense, net, of $87 million and $73 million during the three months ended June 30, 2018 and 2017, respectively, and $145 million and $119 million during the six months ended June 30, 2018 and 2017, respectively.

Interest expense

Interest expense includes interest on debt and finance lease obligations, amortization of deferred financing costs, accretion of discounts and accretion of asset retirement obligations. Interest expense increased $9 million during each of the three and six months ended June 30, 2018, as compared to the corresponding periods in 2017. These increases are primarily attributable to the net effect of (i) increases resulting from the adoption of IFRS 15, as further described in notes 2 and 3 to our condensed consolidated financial statements, (ii) decreases associated with the accretion of discounts and (iii) higher average outstanding debt balances, offset by lower weighted average interest rates.

For additional information regarding our outstanding indebtedness, see note 10 to our condensed consolidated financial statements.

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

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

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
Cross-currency and interest rate derivative contracts (a)	$ (4.6)	$ (4.7)	$ 29.8	$ (7.0)
Embedded derivatives	(12.4)	22.7	(15.8)	48.4
Forward exchange contracts	—	1.8	—	1.8
Total	$ (17.0)	$ 19.8	$ 14.0	$ 43.2

(a) The gains (losses) during 2018 and 2017 are primarily attributable to changes in interest rates.

For additional information concerning our derivative instruments, see note 5 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions			
British pound sterling-denominated debt issued by a U.S. dollar functional currency entity	$ 15.2	$ (3.7)	$ 4.7	$ (7.4)
Intercompany payables and receivables denominated in a currency other than the entity's functional currency	(10.2)	(1.9)	(11.9)	(2.2)
Other	(2.8)	(0.4)	(7.1)	(3.9)
Total	$ 2.2	$ (6.0)	$ (14.3)	$ (13.5)

Losses on debt extinguishment

We recognized losses on debt extinguishment of nil and $10 million during the three and six months ended June 30, 2018, respectively, and $28 million during each of the three and six months ended June 30, 2017. The 2018 amount represents the write-off of unamortized discounts and deferred financing costs associated with the repayment of the C&W Term Loan B-3 Facility. The 2017 amount includes the write-off of $23 million of unamortized discounts and deferred financing costs and the payment of $6 million of third-party costs associated with the repayment of the certain term loans.

For additional information concerning our losses on debt extinguishment, see note 10 to our condensed consolidated financial statements.

Interest and dividend income

We recognized interest and dividend income of $2 million and $6 million during the three months ended June 30, 2018 and 2017, respectively, and $5 million and $10 million during the six months ended June 30, 2018 and 2017, respectively. These amounts primarily relate to (i) interest on our loans receivable and cash and cash equivalents and (ii) dividend income of $2 million received during the first quarter of 2018.

Income tax expense

We recognized income tax expense of $22 million and $13 million during the three months ended June 30, 2018 and 2017, respectively. This represents an effective income tax rate of (96.5)% and (302.3)% , respectively, including items treated discretely. For the three months ended June 30, 2018, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to the detrimental effects of international rate differences, increases in valuation allowances, tax withholdings on intra-group dividends, and non-deductible expenses, partially offset by the beneficial effects of non-taxable income. For the three months ended June 30, 2017, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to international rate differences, tax withholdings on intra-group dividends, enacted tax law and rate changes and non-deductible or non-taxable interest and other expenses.

We recognized income tax expense of $32 million and $14 million during the six months ended June 30, 2018 and 2017, respectively. This represents an effective income tax rate of (60.6)% and (180.8)% , respectively, including items treated discretely. For the six months ended June 30, 2018, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to the detrimental effects of international rate differences, increases in valuation allowances, tax withholdings on intra-group dividends, and non-deductible expenses, partially offset by the beneficial effects of non-taxable income. For the six months ended June 30, 2017, the income tax expense attributable to our loss before income taxes differs from the amount computed using the statutory tax rate primarily due to international rate differences, tax withholdings on intra-group dividends, enacted tax law and rate changes and non-deductible or non-taxable interest and other expenses.

Net loss

We reported net losses of $45 million and $18 million during the three months ended June 30, 2018 and 2017, respectively, and $84 million and $22 million during the six months ended June 30, 2018 and 2017, respectively.

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

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

Net losses (earnings) attributable to noncontrolling interests

We reported losses (earnings) attributable to noncontrolling interests of $1 million and ($13 million) during the three months ended June 30, 2018 and 2017, respectively, and $2 million and ($20 million) during the six months ended June 30, 2018 and 2017, respectively.

During the first half of 2018, we increased our ownership in C&W Jamaica from 82.0% to 92.3%. Effective September 1, 2017, we acquired all of the issued outstanding common shares of Cable & Wireless (Barbados) Limited that we did not already own. Profit or loss attributable to noncontrolling interests includes the noncontrolling interests' share of the results of our operations, primarily in Panama, the Bahamas, Jamaica and Barbados (for the 2017 periods). For information regarding the increase in our ownership in C&W Jamaica, see note 14 to our condensed consolidated financial statements.

Material Changes in Financial Condition

Sources and Uses of Cash

Cash and cash equivalents

We are a holding company that is dependent on the capital resources of our subsidiaries to satisfy our liquidity requirements at the corporate level. Although our consolidated operating subsidiaries generate cash from operating activities, the terms of our subsidiaries' debt instruments restrict our ability to access the liquidity of these subsidiaries. These subsidiaries held substantially all of our $290 million of consolidated cash and cash equivalents at June 30, 2018. Our ability to access the liquidity of these and our other subsidiaries may be limited by tax and legal considerations, the presence of noncontrolling interests, foreign currency exchange restrictions and other factors.

Liquidity of C&W

Our sources of liquidity at the parent level include dividend income received on our investments and, subject to certain tax and legal considerations, our unrestricted subsidiaries' cash and cash equivalents and investments.

The ongoing cash needs of C&W include (i) corporate general and administrative expenses and (ii) required funding of employee benefit plans. From time to time, C&W may also require cash in connection with (i) the funding of loans or distributions to LGE Coral Holdco (and ultimately to Liberty Latin America or other Liberty Latin America subsidiaries), (ii) the satisfaction of contingent liabilities or (iii) acquisitions and other investment opportunities. No assurance can be given that funding from Liberty Latin America or other Liberty Latin America subsidiaries, our subsidiaries or external sources would be available on favorable terms, or at all.

In addition, the amount of cash we receive from certain of our subsidiaries to satisfy U.S. dollar-denominated liquidity requirements is impacted by fluctuations in exchange rates. In this regard, the strengthening (weakening) of the U.S. dollar against these currencies will result in decreases (increases) in the U.S. dollars received from the applicable subsidiaries to fund U.S. dollar-denominated liquidity requirements.

Liquidity of our subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations, borrowing availability under the C&W Revolving Credit Facility, borrowings available under the C&W Regional Facilities and insurance proceeds. Hurricanes Irma and Maria impacted a number of our markets in the Caribbean, resulting in varying degrees of damage to the homes, businesses and infrastructure in these markets. The operations of the Impacted Markets, together with certain of our other operations, support the debt outstanding under the C&W Notes and the C&W Regional Facilities. We expect that the effects of the hurricanes will not impact our ability to comply with the terms of the C&W Notes and the C&W Regional Facilities. For the details of the borrowing availability at June 30, 2018, see note 10 to our condensed consolidated financial statements. The aforementioned sources of liquidity may be supplemented in certain cases by contributions and/or loans from Liberty Latin America and its unrestricted subsidiaries. The liquidity of our subsidiaries generally is used to fund property, equipment and intangible assets additions, debt service requirements and income tax payments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to C&W and/or Liberty Latin America or other Liberty Latin America subsidiaries, (iii) capital distributions to C&W (and ultimately to Liberty Latin America) and other equity owners or (iv) the satisfaction of contingent liabilities. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all. For information regarding our subsidiaries' commitments and contingencies, see note 19 to our condensed consolidated financial statements.

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

Capitalization

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Covenant EBITDA and to achieve adequate returns on our property, equipment and intangible asset additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. For example, if our Covenant EBITDA were to decline, our ability to obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At June 30, 2018, we were in compliance with our debt covenants. We do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At June 30, 2018, the outstanding principal amount of our debt, together with our finance lease obligations, aggregated \$3,919 million, including \$294 million that is classified as current in our condensed consolidated statement of financial position and \$3,460 million that is not due until 2022 or thereafter. All of our debt and finance lease obligations have been borrowed or incurred by our subsidiaries at June 30, 2018. For additional information concerning our debt and finance lease obligations, including our debt maturities, see note 10 to our condensed consolidated financial statements.

Notwithstanding our negative working capital position at June 30, 2018, we believe that we have sufficient resources to repay or refinance the current portion of our debt and finance lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our debt maturities grow in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete refinancing transactions or otherwise extend our debt maturities. In this regard, it is difficult to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit markets we access and our future financial position. Our ability to access debt financing on favorable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties, which could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution, and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Condensed Consolidated Statements of Cash Flows

Summary. Our condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017 are summarized as follows:

	Six months ended June 30,		
	2018	2017	Change
	in millions		
Net cash provided by operating activities	$ 234.3	$ 139.0	$ 95.3
Net cash used by investing activities	(191.1)	(161.1)	(30.0)
Net cash provided (used) by financing activities	(19.4)	76.4	(95.8)
Effect of exchange rate changes on cash	(0.1)	(0.4)	0.3
Net increase in cash and cash equivalents	$ 23.7	$ 53.9	$ (30.2)

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) higher Adjusted EBITDA and related working capital items, including an increase due to the impact of the Carve-out Acquisition, (ii) lower payments of interest, (iii) higher payments for taxes and (iv) lower payments related to derivative instruments.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to the net effect of (i) $41 million related to higher capital expenditures, (ii) $3 million related to cash paid for an acquisition during the 2017 period and (iii) $2 million due to changes in cash collateral.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or finance lease arrangements. Instead, these amounts are reflected as non-cash additions to our property, equipment and intangible assets when the underlying assets are delivered, and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our condensed consolidated statements of cash flows and (ii) our total property, equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under finance lease arrangements. For further details regarding our property, equipment and intangible asset additions, see note 9 to our condensed consolidated financial statements.

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

	Six months ended June 30,	
	2018	2017
	in millions	
Property, equipment and intangible asset additions	$ 169.2	$ 161.2
Changes in liabilities related to capital expenditures	32.0	(4.8)
Assets acquired under capital-related vendor financing arrangements	(4.7)	—
Assets acquired under finance leases	(1.0)	(2.1)
Capital expenditures	$ 195.5	$ 154.3

The increase in our property, equipment and intangible asset additions is primarily related to network restoration activities following Hurricanes Irma and Maria. During the six months ended June 30, 2018 and 2017, our property and equipment additions represented 14.4% and 13.9% of revenue, respectively.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) $113 million related to lower net borrowings of debt, (ii) $33 million due to changes in cash collateral, (iii) $20 million paid during 2018 in connection with the C&W Jamaica NCI Acquisition and (iv) $4 million due to lower payments for financing costs.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The U.S. dollar equivalents presented below are based on interest rates and exchange rates that were in effect as of June 30, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments received in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 5 to our condensed consolidated financial statements.

	Payments due during:							
	Remainder of 2018	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
	in millions							
Projected derivative cash payments, net:								
Interest-related (a)	$ 10.8	$ 7.3	$ 2.7	$ 2.7	$ 2.3	$ 8.9	$ 29.5	$ 64.2
Principal-related (b)	—	0.5	—	—	0.8	—	0.8	2.1
Total	$ 10.8	$ 7.8	$ 2.7	$ 2.7	$ 3.1	$ 8.9	$ 30.3	$ 66.3

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

(b) Includes the principal-related cash flows of our cross-currency swap contracts.

Debt Maturities and Contractual Commitments

For information concerning the maturities of our debt and other financial obligations as of June 30, 2018, see note 10 to our condensed consolidated financial statements. For information concerning our contractual commitments as of June 30, 2018, see note 19 to our condensed consolidated financial statements.

In addition to the commitments set forth in note 19 to our condensed consolidated financial statements, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* above. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three and six months ended June 30, 2018 and 2017, see note 5 to our condensed consolidated financial statements.