

Millicom International Cellular S.A.
Société Anonyme

Audited annual accounts
as at and for the year ended 31 December 2017

2, rue du Fort Bourbon
L-1249 Luxembourg
R.C.S. Luxembourg : B 40 630

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Millicom International Cellular S.A.
Balance Sheet as at 31 December 2017

Principal activities and background

Millicom International Cellular S.A. (the “Company”), a Luxembourg Société Anonyme, and its subsidiaries, joint ventures and associates (the “Group” or “Millicom”) is an international telecommunications and media group providing digital lifestyle services in emerging markets, through mobile and fixed telephony, cable, broadband. The Group also has investments in online businesses in Latam and Africa.

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana, Rwanda, Senegal and Tanzania).

Millicom operates various cable and fixed line businesses in Latam (Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia and Paraguay). Millicom also provides direct to home satellite service in many of its Latam countries.

Millicom also has investment in a tower holding company in Africa.

The Company’s shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

Group performance

Growth returned to our Latam markets during the second half of 2017, thanks largely to our strategic focus on building digital highways and accelerating the transition from legacy voice and SMS to high-speed data services, both in mobile and fixed.

In 2017, our financial statements show total revenue for the Group was US\$4,133 million.

Gross profit was US\$2,915 million, or a margin of 70.5%.

Operating expenses represented 39.3% of revenue. The Group has continued delivering on operational efficiencies which underpinned our margins and cash flows, delivering a lower operating cost run rate as well as Capex.

Our operating profit amounted to US\$629 million, an 15.2% margin impacted positively by the gain on tower deals completed in Colombia and Paraguay.

Net financial expenses were US\$385 million, including one-off costs in respect of early redemptions of the 2020 and 2021 Senior Notes outstanding bonds.

Profit before taxes at US\$155 million included the effects of the increase in interest expenses described above, the gains on disposals of part of our towers in Paraguay and Colombia as well as the impairments of the value of our operations in Rwanda, of a minor investment in Guatemala and of our interest in LIH, an equity investment.

The Group net tax charge in 2017 was US\$158 million leaving a net loss for the year from continuing operations at US\$(3) million. The profit of US\$71 million from discontinued operations reflected the profit on the merger of our business in Ghana.

As a result, the net profit for the year was US\$68 million. The share of losses of non-controlling interests was US\$17 million.

The net profit for the year attributable to Millicom owners was US\$85 million. Earnings per share was 0.85 cents.

Share Capital

At 31 December 2017, Millicom had 101.7 million issued and paid up common shares of par value US\$1.50 each, of which 1.2 million were held by the Company as treasury shares (2016: 1.4 million). During the year, the Company acquired approximately 32,000 shares and issued around 224,000 shares to management and employees under the LTIP remuneration plans and approximately 9,000 shares to Directors as part of their annual remuneration.

Distribution to shareholders and proposed distributions

On 4 May 2017, at the Annual General Meeting of shareholders, a dividend distribution of US\$2.64 per share was approved, and subsequently paid to shareholders.

This year's proposed dividend is consistent with distributions in 2016 and 2015.

Risks and uncertainty factors

The Group operates in an industry and in markets which are characterized by rapid change and subject to macro-economic, competitive and political uncertainty. This change creates both opportunities and at the same time a degree of risk. Many of the inherent underlying risks in these markets, including regulatory change (including tariff controls and taxation), currency fluctuations and underlying macro-economic conditions, impact on the level of disposable income and consumers' attitudes and demand for our products and services.

The telecommunications, cable and content industries are evolving at an unprecedented pace. Demand and supply of access to the internet and content channels continues to gather pace, particularly in emerging markets.

Remaining competitive in this increasingly diverse and interconnected business requires innovation, constant commitment and attention to customer experience, relevant products and services, strategic partnerships, and provision of high-quality content.

Access to, and allocation of, capital and resources in the right place at the right time directly impacts competitive advantage. Decision making in this regard remains key to ensuring the right balance of risk with return in the Group.

Further information on these and other key risks faced by the Group are set out in section Risk Management in the Group Annual Report.

Financial risk management objectives and policies

Millicom's financial risk management policies and objectives, together with a description of the various risks and hedging activities undertaken by the Group, are set out in Section D. Financial Risk Management of the Consolidated Financial Statements.

Controls and Risk Management in Preparation of the Group Annual Report

Internal controls and additional information on the preparation of the Annual Report are set out in the Corporate Governance section of the Group Annual Report.

In application of the Article 68bis 1) of the Annex 1 to the Luxembourg Commercial Law, the management report shall include a corporate governance statement. The information required by this article is set out in section Governance of the Group Annual Report.

Non-Financial Information

Non-financial information such as environmental, social, human rights and the fight against corruption are set out in the Corporate Responsibility Performance Review in the Group Annual Report.

Management and employees

Over recent years, the Group has developed many key functions and improved support to local operations, including in the areas of procurement, network development, marketing, IT, HR, compliance and finance. During 2017, the Executive Management team position of Chief Human Resources Officer, was filled. In addition, we hired our first Chief Information Security Officer.

At 31 December 2017, the Group's headcount from continuing operations reached approximately 19,000 up from almost 18,000 at 31 December 2016.

Outlook for the Group

For our LatAm segment, we expect 2018 service revenue growth of 2-4% and EBITDA growth of 3-6% year-on-year in constant currency, and capital expenditures for the region should total approximately US\$1 billion. In our B2C mobile unit, we expect to add 3 million new 4G data customers and to end the year with 10 million. In our Home business, we anticipate adding one million new HFC homes passed to reach 10 million total homes, and we expect to connect an incremental 300,000 HFC homes to our network. For Africa, we expect the region will continue to produce positive equity free cash flow.

RESULTS OF THE COMPANY

The net loss of the Company for the year ended 31 December 2017 amounted to \$384,414,983 (2016: net profit of \$43,826,410). The Board will propose to the Shareholders of the Company to bring forward the loss of the year.



Tom Boardman

Chairman of the Board of Directors

6 February 2018

MANAGEMENT RESPONSIBILITY STATEMENT

We, Mauricio Ramos, Chief Executive Officer and Tim Pennington, Chief Financial Officer, confirm, to the best of our knowledge, that these 2017 financial statements which have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, give a true and fair view of the assets, liabilities, financial position and profit or loss of Millicom International Cellular S.A., and that the Directors' report includes a fair review of the development and performance of the business and the position of Millicom International Cellular S.A., together with a description of the principal risks and uncertainties that Millicom International Cellular S.A. faces.

Luxembourg, 6 February 2018

Handwritten signature of Mauricio Ramos in black ink, consisting of a stylized 'M' and 'R'.

Mauricio Ramos
Chief Executive Officer

Handwritten signature of Tim Pennington in black ink, consisting of a stylized 'T' and 'P'.

Tim Pennington
Chief Financial Officer

Independent auditor's report

To the Shareholders of
Millicom International Cellular S.A.
2, rue du Fort Bourbon
L-1249 Luxembourg

Report on the audit of the financial statements

Opinion

Following our appointment by the General Meeting of the Shareholders dated 4 May 2017, we have audited the financial statements of Millicom International Cellular S.A. ("the Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Impairment of Shares in affiliated undertakings and impairment of Loans owed by Affiliated Undertakings*

Risk identified

Millicom International Cellular S.A., as ultimate holding of the group, holds a number of shares in and loans to affiliated undertakings, which are operating mainly in emerging markets in the telecommunication sector. As described in Note 2.2.6, shares in affiliated undertakings and loans to affiliated undertakings are valued at cost less any durable impairment in value. At least annually, the Company evaluates the carrying value of the investments and the nominal value of the loans. Impairment losses are measured and recorded based on the difference between the estimated recoverable amount and the carrying amount of the asset. Impairment of shares in and loans to affiliated undertakings is considered a significant risk due to historical impairment, business industry and locations of these investments.

Our answer

Our audit procedures over the valuation of the shares in affiliated undertakings included, among others:

- Obtaining the latest capital call to which Millicom subscribed or the shareholders' agreements to confirm the acquisition cost of each investment and the movement of the year.
- Obtaining and reading the latest financial statements of each investment in order to identify whether any going concern issue or liquidity issue exist at the investment level and ultimately if the investment is recoverable.
- Assessing the valuation model prepared by Management and its impairment test for the determination of the recoverable amount of the investments.
- Recomputing the fair value of equity interests of the investments prepared by Management and comparing the carrying value of the investments to the fair market value of equity interests in order to determine whether an impairment exists.
- Assessing the valuation of guarantees provided by the Company to direct or indirect affiliated companies

Our audit procedures over the valuation of the loans granted to affiliated undertakings included, among others:

- Obtaining the loan agreements to confirm the nominal value of the loans and the movement of the year.
- Obtaining and reading the latest financial statements of each affiliated undertaking in order to identify whether any going concern issue or liquidity issue exist and ultimately if the loan is recoverable.
- Assessing the valuation model prepared by Management for the determination of the recoverable amount of the loans.

- Recomputing the recoverable amount of the loans prepared by Management and comparing the carrying value of the loans to their recoverable value in order to determine whether an impairment exists.

We also assessed the adequacy of the Company's disclosures in respect of the accounting policies on impairment as disclosed in Note 2.2.6, 5, 6, and 19 of the financial statements.

2. *Recognition of Tax contingencies and transfer pricing*

Risk identified

Income tax positions were significant to our audit because the assessment process is complex and involves high degree of judgment and the amounts involved are material to the financial statements. Management exercises judgment in assessing the level of provision required for taxation when such taxes are based on the interpretation of complex tax laws. The future actual outcome of the decisions concerning these tax exposures may result in materially higher or lower amounts than the current accruals recorded in the accompanying financial statements. The Company has a process in place to identify its uncertain tax positions and provide for them in accordance with the policy disclosed in Note 2.2.11 of the financial statements.

In addition, the Company has put in place a transfer pricing mechanism based on a value creation fee. This fee remunerates the Company for the brand and business support it provides to the operations. Transfer pricing models are complex and require a high level of judgment. They may also be challenged by the tax authorities of the countries where the Company and its subsidiaries and joint ventures have operations. Most of the revenue generated by the Company are deriving from the transfer pricing model and consist of fees invoiced by the Company to its subsidiaries and joint ventures for services rendered.

Our answer

Our audit procedures over taxes and transfer pricing included, among others:

- Assessing with the support of EY tax specialists the likelihood and exposure of the potential tax risks
- Reading of the transfer pricing documentation
- Assessing the transfer pricing model and assumptions.
- Assessing with the support of EY tax specialists the reasonableness of the transfer pricing model set up by the Company.
- Reviewing tax provisions' calculation, prior year tax returns and correspondence with tax authorities

We also assessed the adequacy of the Company's disclosures in respect of the Tax contingencies as set out in Notes 21 and 22 of the financial statements.

3. *Potential improper payments in Guatemala*

Risk identified

On 21 October 2015, Millicom reported to law enforcement agencies in the USA and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala (Comcel), which is a significant indirect investment of the Company.

On 14 July 2017, the International Commission Against Impunity in Guatemala (CICIG), disclosed an ongoing investigation into alleged illegal campaign financing that includes a competitor of Comcel. The CICIG further indicated that the investigation would include Comcel. On 23 and 24 November 2017, Guatemala's attorney general and CICIG executed search warrants on the offices of Comcel.

Considering the current situation, Millicom has not been able to estimate the outcome of these cases and therefore the potential financial impact on its financial position and accordingly, has disclosed these matters in Note 22 of the financial statements.

Our answer

Our audit procedures included, amongst others:

- Inquiring of Millicom's lawyers dealing with the matter and we obtained external confirmation from these lawyers as part of our audit procedures. We also inquired of Group management on the matter.
- Inquiring of the Head of Compliance to understand the remediation actions taken from an internal control perspective and involved our forensic specialists to discuss such remediation with management
- Testing that the Millicom's updated Anti Bribery and Anti- Corruption policy and Code of Conduct have been rolled out in Group's operations
- Performing test of controls over the procure to pay process
- Assessing the adequacy of the Group's disclosures in respect of these matters as set out in Note 22.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 4 May 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is six years.

The management report, which is disclosed from pages 1 to 4 and which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

Report on other legal and regulatory requirements

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The management report, which is disclosed from pages 1 to 4 and which is the responsibility of the Board of Directors, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, as published on the Company’s website <http://www.millicom.com/our-responsibility/>, is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

Other matter

The corporate governance statement includes the information required by article 68ter paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Olivier Lemaire

Luxembourg, 06 February 2018

Millicom International Cellular S.A.
Balance Sheet as at 31 December 2017

	Notes	2017	2016
ASSETS		USD	USD
Fixed assets			
Intangible assets	3		
Concessions, patents, licenses, trade marks and similar rights and assets, if they were acquired for valuable consideration and need not be shown under C.I.3		16,666,998	21,120,735
Tangible assets	4		
Other fixtures and fittings, tools and equipment		877,753	1,208,738
Payments on account and tangible assets in the course of construction		545,254	254,104
Financial assets	5		
Shares in affiliated undertakings		3,765,791,877	3,725,711,582
Participating interest		49,924,772	104,422,649
Other loans		200,864,346	142,166,952
		<u>4,034,671,000</u>	<u>3,994,884,760</u>
Current assets			
Debtors	6		
Amounts owed by affiliated undertakings becoming due and payable within one year		150,199,982	31,884,716
becoming due and payable after more than one year		-	251,838,836
Amounts owed by undertakings with which the company is linked by virtue of participating interests becoming due and payable within one year		5,614,748	1,970,949
Other debtors		1,804,346	33,060,900
Investments			
Own shares	7	80,891,074	59,875,240
Cash at bank and in hand		<u>98,854,360</u>	<u>176,167,810</u>
		337,364,511	554,798,451
Prepayments	8	16,683,854	23,874,379
TOTAL ASSETS		<u>4,388,719,364</u>	<u>4,573,557,591</u>

The accompanying notes are an integral part of these annual accounts

Millicom International Cellular S.A.
Balance Sheet as at 31 December 2017

	Notes	2017	2016
LIABILITIES		USD	USD
Capital and reserves	7		
Subscribed capital		152,608,826	152,608,826
Share premium account		375,371,342	396,387,195
Reserves			
Other reserve		310,680	(3,844,870)
Legal reserve		16,357,968	16,357,968
Reserve for own shares		80,891,093	59,875,240
Profit or (loss) brought forward		963,978,514	1,185,568,646
Profit or (loss) for the financial year		(384,414,983)	43,826,410
		<u>1,205,103,438</u>	<u>1,850,779,414</u>
Provisions			
Other provisions	9, 16	309,009,233	123,250,127
Creditors			
Debenture loans			
Non-convertible loans			
becoming due and payable within one year	10	25,000,000	-
becoming due and payable after more than one year	11	1,244,400,181	1,769,632,993
Amounts owed to affiliated undertakings	12		
becoming due and payable within one year		1,546,272,385	731,155,663
becoming due and payable after more than one year		900,000	35,216,500
Amounts owed to undertakings with which the company is linked by virtue of participating interests			
becoming due and payable within one year		836,527	-
Other creditors			
Tax authorities		2,209,513	5,638,891
Social security authorities		2,690,120	965,371
Other creditors becoming due and payable within one year	13	<u>51,444,909</u>	<u>55,980,271</u>
		<u>2,873,753,634</u>	<u>2,598,589,690</u>
Deferred income		853,060	938,360
TOTAL LIABILITIES		<u>4,388,719,364</u>	<u>4,573,557,591</u>

The accompanying notes are an integral part of these annual account

Millicom International Cellular S.A.
Profit and loss account for the year ended 31 December 2017

	Notes	2017	2016
		USD	USD
Other operating income	14	167,965,514	188,067,145
Staff costs	15		
Wages and salaries		(32,262,584)	(27,164,535)
Social Security costs		(1,292,607)	(1,247,085)
Other staff costs		(1,733,901)	(1,186,449)
Value adjustments			
In respect of tangible and intangible assets	3,4	(4,503,958)	(7,058,852)
In respect of current assets	6	(26,397,835)	(754,279)
Other operating charges	16	(366,429,608)	(205,251,406)
Income from participating interests	17		
derived from affiliated undertakings		39,155,613	322,832,755
Other interest and similar income			
derived from affiliated undertakings		10,308,691	3,839,462
other interest and similar income	18	21,242,701	106,414,012
Value adjustments in respect of financial assets and of investments held as current assets	19	(15,712,521)	(101,928,214)
Interest payable and similar expenses			
Concerning affiliated undertakings		(2,007,500)	(2,013,000)
Other interest and similar expenses	20	(167,794,662)	(226,748,978)
Tax on profit or loss	21	(4,952,326)	(3,974,167)
Gain/(Loss) after taxation		<u>(384,414,983)</u>	<u>43,826,410</u>
Gain/(Loss) for the financial year		(384,414,983)	43,826,410

The accompanying notes are an integral part of these annual accounts

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 1— GENERAL INFORMATION

Millicom International Cellular S.A. (the “Company”), a Luxembourg Société Anonyme governed by the Luxembourg Law of August 10, 1915 on Commercial Companies (as amended), incorporated on June 16, 1992. The Company’s purpose is to engage in all transactions pertaining directly or indirectly to the acquisition and holding of participating interests, in any form whatsoever, in any Luxembourg or foreign business enterprise, more specifically in the field of telecommunications. The Company is formed for an unlimited duration.

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana, Rwanda, Senegal and Tanzania).

Millicom operates various cable and fixed line businesses in Latin America (Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia and Paraguay). Millicom also provides direct to home satellite service in many of its Latin American countries.

Millicom has investments in online / e-commerce businesses in several countries in Latin America and Africa, investments in a tower holding company in Africa and various investments in start-up businesses in providing e-payments and content educational services to its mobile and cable customers.

The Company’s financial year begins the first day of January and ends on the last day of December of each year.

The Company’s shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

The Company prepares consolidated annual accounts, which are published in Luxembourg and are available at the registered office of the Company.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention except for the use of the fair value option for financial derivative instruments.

As from 1 January 2016, the Company opted to use the fair value model as described by the Law of 19 December 2002, as amended subsequently, art. 64bis. Prior to this change of accounting policy, the Company recognized derivative financial instruments as off-balance sheet items. As a result of this change, derivative financial instruments used for hedging purposes are measured at fair value based on their market value (Mark to Market) at the reporting date and they recorded under either “other provisions” (when fair value is negative) or “other debtors” (when fair value is positive) (note 2.2.16). The profit and loss impact is presented under “other interests and similar income” (unrealized gain – note 18) or in “other interests and similar expenses” (unrealized losses-note 20). The net impact of these accounting changes on the profit and loss account is a net gain of \$24 million as of January 1, 2016 and has been recorded in the 2016 profit and loss account under the captions “other interests and similar income” (note 18) and “other interests and similar expenses” (note 20). A non undistributable reserve will be created up to the amount of the net unrealized gains recorded.

Accounting policies and valuation rules are, besides those prescribed by the Law of 19 December 2002, as amended subsequently, determined and applied by the Board of Directors. The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management to exercise its

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed.

Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Significant accounting policies

The principal accounting policies applied in the preparation of these annual accounts are set out below. These policies have been consistently applied to all years presented.

2.2.1 Going concern

Management is not aware of anything that would prevent the company from continuing as a going concern. The going concern basis of accounting has continued to be applied in preparing the annual accounts (See also Note 12).

2.2.2 Foreign currency translation

These annual accounts are expressed in US Dollars (\$). The translation at the balance sheet is made according to the following principles:

Monetary items are converted at the exchange rates effective at the balance sheet date whereas non-monetary items are converted at the exchange rate effective at the time of the transaction. The realized and unrealized exchange losses are recorded in the profit and loss account, whereas the realized exchange gains are recorded in the profit and loss account at the moment of their realization. Unrealized gains resulting from the fair valuation of derivatives held for trading are recognized under the caption “other interest and similar income”.

Financial liabilities and assets, which are hedged by derivative instruments are translated at closing rate.

2.2.3 Intangible assets

Intangible fixed assets are valued at purchase price including the expenses incidental thereto. Intangible fixed assets are depreciated over their estimated useful economic lives, as follows:

- Licenses and trademarks rights: 5 years or the contract term if less
- Rights of use (IRUs) (note 2.2.4): 12 or 13 years term of the underlying contract
- Software: 3 years or the contract term if less

Depreciation is calculated on a straight line basis.

Where the Company considers that an intangible fixed asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Indefeasible rights of use

There is no universally-accepted definition of an indefeasible rights of use ('IRU'). These agreements come in many forms. However, the key characteristics of a typical arrangement include:

- The right to use specified network infrastructure or capacity;
- For a specified term (often the majority of the useful life of the relevant assets);
- Legal title is not transferred;
- A number of associated service agreements including Operations and Maintenance ("O&M") and co-location agreements. These are typically for the same term as the IRU; and
- Any payments are usually made in advance.

IRUs are accounted for either as a lease, or service contract based on the substance of the underlying agreement.

IRU arrangements will qualify as a lease if, and when:

- The purchaser has an exclusive right for a specified period and has the ability to resell (or sub-let) the capacity; and
- The capacity is physically limited and defined; and
- The purchaser bears all costs related to the capacity (directly or not) including costs of operation, administration and maintenance; and
- The purchaser bears the risk of obsolescence during the contract term.

If all of these criteria are not met, the IRU is treated as a service contract.

If an IRU is determined to be a lease, the following indicators need to be present in order for the capitalization of an IRU as a finance lease to be considered:

- The Group will be consuming the major part of the useful economic life of the asset (generally considered to be 75% of the total remaining useful economic life of the asset). The Group assumes that the useful economic life of a new fiber cable is 15 years.
- Substantially all of the risks and rewards of ownership are transferred to the Group (e.g. Millicom can sublease excess capacity on the cables to other operators; Millicom is responsible for maintaining the cables during the contract period);
- Neither party has the right to terminate the contract early (other than for 'force majeure');
- The contract price is not subject to renegotiation or change (other than for inflationary increases);
- The minimum contractual payments are for substantially all of the fair value of the asset (generally considered to be greater or equal to 90% of the fair value of the leased asset);
- The Group can determine the fair value of the leased asset;
- The Group has physical access rights to the cable.

Otherwise the IRU will be considered as an operating lease.

A finance lease of an IRU of network infrastructure (cables or fiber) is accounted for as a tangible asset.

A finance lease of a capacity IRU (wavelength or capacity) is accounted for as an intangible asset.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.4 Indefeasible rights of use (continued)

Estimated useful lives of finance leases of IRU's of capacity are between 12 and 15 years, or shorter if the estimated useful life of the underlying cable is shorter.

The costs of an IRU recognized as operating lease is recognized as prepayment and amortized in the income statement on a straight-line basis over the lease term.

The costs of an IRU recognized as service contract is recognized as prepayment and amortized in the income statement as incurred over the duration of the contract.

Usage of the Company's controlled IRUs is charged to the Operations on a monthly basis including a markup of 1.5%. Company's profit and loss shows these recharges as revenues for the amount net of withholding tax under the caption "Other operating income".

2.2.5 Tangible assets

Tangible fixed assets are valued at purchase price including the expenses incidental thereto. Tangible fixed assets are depreciated over their estimated useful economic lives. All repairs and maintenance expenditures are expensed as incurred.

The depreciation rates and methods applied are as follows:

- Computer equipment: 3 years
- Other equipment: 4 to 10 years

Depreciation is calculated on a straight line basis.

Where the Company considers that a tangible fixed asset has suffered a durable depreciation in value, an additional write-down is recorded to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.6 Financial assets

Shares in affiliated undertakings, participating interest and loans to affiliated undertakings are valued at purchase price and at nominal value including the expenses incidental thereto, less any durable impairment in value.

The recoverability of the Company's shares in affiliated undertakings, participating interest and loans to affiliated undertakings is subject to the future profitability of the underlying operations and the evolution of the business in accordance with plans. In evaluating the recoverability of its assets, the value and future benefits of the underlying operations are periodically reviewed by management based on technological, regulatory and market conditions.

Annually or when certain operational and financial factors indicate an impairment of value, the Company evaluates the carrying value of the investments and the nominal value of the loans, in relation to the operating performance and future cash flows of the underlying assets. When indicated, the impairment losses are measured based on the difference between the estimated recoverable amount and the carrying amount of the asset. Management's estimates of recoverable amounts are based on the net present values of estimated future cash flows and valuations based on market transactions in similar circumstances. Impairment losses are reversed when the reasons for which the impairment has been created no longer exist.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.7 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised.

2.2.8 Prepayments

Prepayments include expenditures incurred during the current year but relating to a subsequent financial year, as well as debenture loans origination and further amendments costs which are amortized on a straight line basis over remaining estimated debt periods based on the maturity of the financing agreements.

2.2.9 Debenture Loans

Debenture loans are recorded at their reimbursement value. The debt origination and further amendments costs are included in prepayments (note 2.2.8).

2.2.10 Cash at bank and in hand

Highly liquid investments with an original maturity of three months or less are considered to be cash at bank and in hand.

2.2.11 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise. See also note 2.2.16.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years for which the tax return has not yet been filed are recorded under the caption "Tax authorities".

2.2.12 Share based compensation

Share awards under Long-Term Incentive Plans are granted to the directors, management and key employees. The cost of the LTIP awards is recognized on the date of issuance of the shares to the employees together with a corresponding increase in share premium. The cost is based on the market value of the shares at grant date. If shares are issued from treasury shares, when the value of the shares issued is higher than the acquisition cost of the treasury shares, the difference between both values is recorded in the share premium. When the value of the shares issued is lower than the acquisition cost of the treasury shares, the difference is recorded in the profit and loss account as an adjustment to the value of the treasury shares. Fair values are reported in the "Wages and Salaries" caption upon issuance of the shares related to the share awards plans.

2.2.13 Expense recognition

Expenses are charged in the year they are incurred and they are stated on an accrual basis.

2.2.14 Other operating income

The Company's income is disclosed gross of withholding tax and principally comprises of consultancy, royalty and technical fees charged to affiliated companies. The Company is financing its various subsidiaries and also charging them for business support services, brand fees, management fees and recharging certain costs incurred on behalf of these subsidiaries. Income is recognized as earned.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.15 Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the life of the lease.

Finance leases, which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

2.2.16 Derivative financial instruments

The Company may enter from time to time into derivative financial instruments in order to hedge certain financial risk at Company or Group level.

Since 1 January 2016, the Company opted to use the fair value model as described by the Law of 19 December 2002, as amended subsequently, art. 64bis. Derivative financial instruments used for hedging purposes are measured at fair value based on their market value (Mark to Market) at the reporting date and they are recorded under either 'other provisions' (when fair value is negative) or 'other debtors' (when fair value is positive). The profit and loss impact is presented under "other interests and similar income" (unrealized gain) or in "other interests and similar expenses" (unrealized losses).

For hedge accounting purposes, hedges are classified as either:

- ú Fair value hedges, when they hedge exposure to a change in the fair value of a recognized asset or liability, or of a firm commitment (except for currency risk); or
- ú Cash-flow hedges, when they hedge exposure to a change in cash flow arising from a specific risk associated with a recognized asset or liability, a highly probable future transaction or a currency risk on a firm commitment.

The "effective" part of the cash flow hedge instrument is recognized in "other reserve" in equity, while the "non-effective" part is recognized in the profit and loss account under the caption "other interests and similar expenses" (loss) or under the caption "other interest and similar income" (gain). Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit and loss.

To avoid any accounting mismatch, unrealized exchange losses and/or gains on financial assets and liabilities, being hedged with these derivative financial instruments, are also recognized in the profit and loss account.

Changes in the fair value of derivatives that are designated and qualify as fair value hedge are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2.2.17 Own shares

Own shares are initially measured at acquisition cost and recognized as an asset with a corresponding non-distributable reserve created from share premium and retained earnings. Own shares are subsequently re-measured at the lower of cost or market value using the average cost. Transferred or cancelled shares are valued using the average cost method. They are subject to value adjustments where their recovery is compromised. These value adjustments are reversed when the reasons for which the value adjustments were made have ceased to apply.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 3— INTANGIBLE ASSETS

The movements of the year in intangible fixed assets are as follows:

	Total 31 December 2017 USD	Total 31 December 2016 USD
Cost		
Opening balance	34,777,871	35,716,795
Additions	3,759,259	4,377,727
Disposals	(6,726,846)	(5,316,651)
Closing balance	<u>31,810,284</u>	<u>34,777,871</u>
Amortization		
Opening balance	(13,657,137)	(13,237,730)
Amortization charge of the year	(3,555,941)	(4,602,311)
Disposals	2,069,792	4,182,904
Closing balance	<u>(15,143,286)</u>	<u>(13,657,137)</u>
Net book value		
Opening balance	<u>21,120,735</u>	<u>22,479,065</u>
Closing balance	<u>16,666,998</u>	<u>21,120,735</u>

Intangible assets include software licenses and infeasible rights of use (IRU) related to telecommunications capacity contracts which the Company purchases centrally and resells capacity to certain of its operating subsidiaries.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 4 – TANGIBLE ASSETS

The movements were as follows:

	Total 31 December 2017 USD	Total 31 December 2016 USD
Cost		
Opening balance	6,949,505	6,230,225
Additions	909,197	2,903,378
Disposals	(653,232)	(2,184,098)
Closing balance	<u>7,205,470</u>	<u>6,949,505</u>
Depreciation		
Opening balance	(5,486,664)	(4,906,314)
Depreciation charge of the year	(948,016)	(2,456,540)
Disposals	652,216	1,876,190
Closing balance	<u>(5,782,464)</u>	<u>(5,486,664)</u>
Net book value		
Opening balance	<u>1,462,842</u>	<u>1,323,911</u>
Closing balance	<u>1,423,007</u>	<u>1,462,842</u>

Tangible assets include IT equipment and office furniture.

NOTE 5 – FINANCIAL ASSETS

5.1 Shares in affiliated undertakings and participating interest

The carrying values of the shares in affiliated undertakings are as follows:

Name of the Company	Country	Carrying value	Carrying value	Percentage of	Percentage of
		2017 USD	2016 USD	shares held 2017 %	shares held 2016 %
Millicom International Operations S.A.	Luxembourg	1,746,144,883	1,746,144,883	100	100
Millicom Spain S.L.	Spain	1,024,483,966	984,653,671	100	100
Millicom International Operations B.V.	Netherlands	994,831,999	994,831,999	11	11
Millicom SSC, S.A. DE C.V.	El Salvador	249,999	-	99.95	-
Shai Holding S.A.	Luxembourg	43,153	43,153	100	100
Millicom Global Employment Company S.à r.l.	Luxembourg	19,887	19,887	100	100
Millicom Digital Ventures B.V.	Netherlands	10,000	10,000	100	100
Millicom Services AB	Sweden	7,786	7,786	100	100
Millicom International Services LLC	USA	100	100	100	100
Millicom USA Holdings LLC	USA	100	100	100	100
Millicom Services UK Ltd	United Kingdom	2	2	100	100
Millicom Telecommunications S.A.	Luxembourg	1	-	100	-
Millicom Rwanda Ltd	Rwanda	-	-	100	100
Total		<u>3,765,791,877</u>	<u>3,725,711,582</u>		

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 5 – FINANCIAL ASSETS (continued)

5.1 Shares in affiliated undertakings and participating interest

On 19 December 2017, Millicom announced that it has signed an agreement for the sale of its Rwanda operations to subsidiaries of Bharti Airtel Limited. The total consideration of the transaction is approximately 6x 2017 adjusted EBITDA (enterprise value), payable over two years, consisting of a mix of cash, vendor loan note and earn out. The transaction is subject to regulatory approvals, which have not been completed as of 31 December 2017.

On 11 December 2017, the Company increased its investments in Millicom Spain S.L.. A receivable amounting to USD 39.8 million has been converted into share premium of the subsidiary.

The carrying values of the participating interest are as follows:

		Carrying value	Carrying value	Percentage of	Percentage of
		2017	2016	shares held	shares held
		USD	USD	2017	2016
				%	%
MKC Brillant Services GmbH (1)	Germany	0	54,465,376	35	35
Africa Internet Holding GmbH (AIH)	Germany	49,924,772	49,924,772	10.15	10.15
Other		-	32,501		
		49,924,772	104,422,649		

(1) Based on the annual impairment test performed during the year, management concluded that impairment losses should be recorded on Millicom’s investment in MKC Brilliant Services GmbH for \$54 million. Impairment losses are recorded under the caption “Value adjustments in respect of financial assets and of investments held as current assets” in the profit and loss account (note 19).

Management is of the opinion that appropriate value adjustments have been made and that no durable depreciation on investments, other than those already impaired, exists as of 31 December 2017.

Art. 65 paragraph (1) 2° of the Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings (the “law”) requires the disclosure of the amount of capital and reserves and profit and loss for the last financial year of each affiliated undertaking. In conformity with Art.67 (3) of the law these details have been omitted as the Company prepares consolidated accounts and these consolidated accounts and the related consolidated management report and auditors’ report thereon have been lodged with the Luxembourg Trade Registry.

Note 5.2 – Other loans

As at 31 December 2017, Millicom’s subsidiary in Senegal has an agreement with Standard Bank whereby the bank provided loans to Millicom’s subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank. The value of the remaining deposit amount as of 31 December 2017 is \$161 million (2016: \$142 million) with an interest income of \$8 million for the year (2016: \$8 million).

The remaining amount in other loans corresponds to a loan against Millicom Ghana Ltd amounting to \$40 million which arose as a result of the merger of Tigo and Airtel’s respective operations in Ghana. This loan shall rank in priority to all other obligations of the combined entity owed to its shareholders. This loan bears interest of LIBOR +3% and is repayable over 5 years.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 6 – DEBTORS

Debtors are mainly composed as follows:

	Total 31 December 2017 USD	Total 31 December 2016 USD
Amounts owed by affiliated undertakings before value adjustment		
becoming due and payable within one year	317,764,378	156,220,506
Value adjustments in amounts owed by affiliated undertakings becoming due and payable within one year (2)	(167,564,395)	(124,335,789)
Amounts owed by affiliated undertakings after value adjustment		
becoming due and payable within one year (1)	<u>150,199,982</u>	<u>31,884,716</u>

(1)	Total 31 December 2017		
	Amounts owed by	Amounts owed to	Net balance
Comvik International (Vietnam) AB	63,441	(61,709)	1,732
MIC Africa B.V.	145,262	-	145,262
Mic Latin America B.V.	64	(6)	59
Millicom America LLC	4,159,256	(2,958,931)	1,200,325
Millicom Cellular Investment B.V.	5,907	-	5,907
Millicom Digital Ventures B.V.	16,967	(15,827)	1,140
Millicom Global Employment Company S.à r.l.	39,815,563	(31,331,153)	8,484,410
Millicom International Holding Ltd.	275,205	-	275,205
Millicom International III N.V.	81,038	-	81,038
Millicom International Operations S.A.	95,649,246		95,649,246
Millicom International Ventures AB	76,080	-	76,080
Millicom Ireland Limited	265,465	(2,329)	263,136
Millicom Spain S.L.	493,531,681	(477,023,342)	16,508,339
Millicom Tchad S.A.	2,119,888	(840,408)	1,279,480
Millicom Telecommunications S.A.	2,127,198	(1,017,969)	1,109,229
Mobile Cash RDC Sarl	349,094	(299,988)	49,106
Navega, S.A. de C.V.	195,242	-	195,242
Sentel GSM S.A.	24,910,479	(3,556,343)	21,354,136
Servicios, Productos y Negocios, S.A. de C.V.	150,329	-	150,329
Shai Holding S.A.	217,358	(52)	217,306
Telefónica Celular del Paraguay S.A	14,198,737	(12,893,097)	1,305,639
UNE EPM TELECOMUNICACIONES S.A.	1,617,320	(44,672)	1,572,648
Zanzibar Telecom Ltd	306,438	(31,450)	274,988
	<u>680,277,258</u>	<u>(530,077,276)</u>	<u>150,199,982</u>

These amounts are short term in nature and do not bear interest.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 6 – DEBTORS (continued)

(1)	Total 31 December 2016		
	Amounts owed by	Amounts owed to	Net balance
Mic Tanzania Ltd	6,899,320	(3,131,620)	3,767,700
Millicom America LLC	1,668,465	(599,450)	1,069,015
Millicom Global Employment Company S.à r.l.	26,728,119	(12,375)	26,715,744
Millicom International Operations B.V.	5,201,665	(106,680)	5,094,985
Millicom Payment Solutions Ltd	3,624,825	-	3,624,825
Millicom Spain S.L.	59,937,171	(24,625,769)	35,311,402
Millicom Tchad S.A.	1,275,226	(696,107)	579,119
Millicom Telecommunications S.A.	1,108,539	-	1,108,539
Sentel GSM S.A.	19,094,752	(367,718)	18,727,034
Telefónica Celular del Paraguay S.A	1,823,320	(289,026)	1,534,294
X-Com Holding S.A.	-	(67,578,215)	(67,578,215)
Other	1,930,274	-	1,930,274
	129,291,676	(97,406,960)	31,884,716

(2) Management concluded that impairment losses should be recorded on certain amounts owed by affiliated undertakings. Impairment losses are recorded under the caption “Value adjustments on current assets” in the profit and loss account for an amount of \$43 million (2016 \$0.8 million).

Amounts owed by affiliated undertakings becoming due and payable after more than one year are detailed below:

	Total 31 December 2017		
	Amounts owed by	Amounts owed to	Net balance
Millicom Ghana Ltd	-	-	-
Millicom Spain, S.L.	-	-	-
	-	-	-

	Total 31 December 2016		
	Amounts owed by	Amounts owed to	Net balance
Millicom Ghana Ltd	133,338,836	-	133,338,836
Millicom Spain, S.L.	118,500,000	-	118,500,000
	251,838,836	-	251,838,836

On 1 August 2013, the Company granted to Millicom Spain S.L a credit facility of USD 125,000,000 out of which the full amount was used, to be repaid on 15 August 2020. The principal amounts borrowed under the Credit Facility were to bear interest at an annual rate LIBOR plus 4.4%. During 2017, the loan has been totally reimbursed.

On 3 March 2017, Millicom and Airtel have signed a Combination Agreement, whereby both investors decided to combine their respective subsidiaries in Ghana. Based on the latter, the loan amounting to \$133 million has been partially assigned to MIO S.A. The remaining balance of \$40 million was reclassified from current assets to fixed assets in “other loans” (See terms and conditions in note 5.2). In the same time a reversal on impairment has been recorded under “Value adjustments on current assets” in the profit and loss account for an amount of \$17 million.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 6 – DEBTORS (continued)

Amounts owed by undertakings in which the Company is linked by participating interests are detailed below:

	Total 31 December 2017		
	Amounts owed by	Amounts owed to	Net balance
Telefonica Celular, S.A. de C.V.	2,735,903	(45,666)	2,690,237
Comunicaciones Celulares, S.A.	3,013,226	(88,715)	2,924,511
	5,749,129	(134,381)	5,614,748

	Total 31 December 2016		
	Amounts owed by	Amounts owed to	Net balance
Telefonica Celular, S.A. de C.V.	1,592,449	(16,679)	1,575,770
Comunicaciones Celulares, S.A.	397,064	(1,885)	395,179
	1,989,513	(18,564)	1,970,949

In the normal course of the business the Company is financing its various subsidiaries and also charging those for business support services, brand fees, management fees and recharging certain costs incurred on behalf of those subsidiaries. At the same time, certain costs incurred by subsidiaries are recharged to the Company, and advanced dividends remitted to the Company. These transactions give rise to intercompany payable and receivable balances which are settled periodically either through offset of receivables and payables, declaration of dividends, or cash settlement.

NOTE 7 – CAPITAL AND RESERVES

7.1 Share capital and share premium

The authorized share capital of the Company totals 133,333,200 registered shares (2016: 133,333,200) consisting of 101,739,217 (2016: 101,739,217) registered common shares at a par value of \$1.50 each, of which 1,194,846 are owned by the Company (2016: 1,393,792).

In 2017, 232,729 shares were issued to management, directors, and employees (2016: 215,827).

7.2 Reserve for own shares

In 2017, the Company re-purchased 35,511 shares for \$3.1 million (2016: 37,544 shares for \$2 million), and transferred a similar amount from share premium to reserve for own shares as required under Luxembourg law.

At 31 December 2017, the Company has booked a reversal of the impairment on the value of the treasury shares amounting to \$39 million (2016: impairment of \$13.5 million), in application of the Company's accounting policy for own shares (2.2.17).

7.3 Legal reserve

On an annual basis, if the Company reports a net profit for the year, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the subscribed capital. This reserve is not available for dividend distribution.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 7– CAPITAL AND RESERVES (continued)

7.4 Changes in shareholders' equity

The changes in shareholders' equity for 2017 and 2016 are shown below:

	Number of shares outstanding	Share capital USD	Share premium USD	Reserve for own shares USD	Other reserve USD	Legal reserve USD	Accumulated profits USD	Profit for the year USD	Total shareholders' equity USD
Balance as at December 31, 2015	101,739,217	152,608,826	366,554,644	90,707,790	-	16,357,968	1,851,834,302	(401,394,955)	2,075,668,575
Allocation of 2015 result	-	-	-	-	-	-	(401,394,955)	401,394,955	-
Dividends	-	-	-	-	-	-	(264,870,701)	-	(264,870,701)
Acquisition of Own shares	-	-	(2,139,400)	2,139,400	-	-	-	-	-
Transfer from reserve for own shares	-	-	13,493,590	(13,493,590)	-	-	-	-	-
Cash flow hedge reserve	-	-	-	-	(3,844,870)	-	-	-	(3,844,870)
Long term incentive plans	-	-	19,478,359	(19,478,359)	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	43,826,410	43,826,410
Balance as at December 31, 2016	101,739,217	152,608,826	396,387,195	59,875,240	(3,844,870)	16,357,968	1,185,568,646	43,826,410	1,850,779,414

	Number of shares outstanding	Share capital USD	Share premium USD	Reserve for own shares USD	Other reserve USD	Legal reserve USD	Accumulated profits USD	Profit for the year USD	Total shareholders' equity USD
Balance as at December 31, 2016	101,739,217	152,608,826	396,387,195	59,875,240	(3,844,870)	16,357,968	1,185,568,646	43,826,410	1,850,779,414
Allocation of 2016 result	-	-	-	-	-	-	43,826,410	(43,826,410)	-
Dividends	-	-	-	-	-	-	(265,416,542)	-	(265,416,542)
Acquisition of Own shares	-	-	(3,136,036)	3,136,036	-	-	-	-	-
Transfer from reserve for own shares	-	-	(38,752,855)	38,752,855	-	-	-	-	-
Cash flow hedge reserve	-	-	-	-	4,155,550	-	-	-	4,155,550
Long term incentive plans	-	-	20,873,038	(20,873,038)	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	(384,414,983)	(384,414,983)
Balance as at December 31, 2017	101,739,217	152,608,826	375,371,342	80,891,093	310,680	16,357,968	963,978,514	(384,414,983)	1,205,103,438

7.5 Long-term incentive plans

As of 31 December 2017, the number of share awards expected to vest under the long term incentive plans is as follows:

Plan awards and shares expected to vest (number of shares)	2017 Plans		2016 Plans		2015 Plans		2014 Future			
	Performance Plan	Deferred plan	Performance Plan	Deferred plan	Performance Plan	Executive Plan	CEO Plan	Deferred plan	Plan	Deferred plan
Initial shares granted	279,807	438,505	200,617	287,316	98,137	40,664	77,344	237,620	164,015	219,767
Additional shares granted (i)	2868	29,406	-	-	-	-	3537	-	-	1,306
Total shares granted	282,675	467,911	200,617	287,316	98,137	40,664	80,881	237,620	164,015	221,073
Revision for forfeitures	(6,590)	(32,884)	(30,649)	(53,653)	(37,452)	-	-	(67,528)	(124,603)	(79,702)
Total before issuances	276,085	435,027	169,968	233,663	60,685	40,664	80,881	170,092	39,412	141,371
Shares issued in 2014	-	-	-	-	-	-	-	-	-	-
Shares issued in 2015	-	-	-	-	-	-	-	-	-	(32,555)
Shares issued in 2016	-	-	(1,214)	(1,733)	(771)	-	(25,781)	(38,745)	-	(25,508)
Shares issued in 2017	-	(2,686)	(752)	(43,579)	(357)	-	(28,139)	(30,124)	(39,412)	(83,308)
Performance conditions	-	-	-	-	-	-	-	-	-	-
Shares expected to vest	276,085	432,341	168,002	188,351	59,557	40,664	26,961	101,223	n/a	n/a

(i) Additional shares granted represent grants made for new joiners and/or as per CEO contractual arrangements.

NOTE 7– CAPITAL AND RESERVES (continued)

7.5 Long-term incentive plans

Deferred Share Plan (unchanged from 2014)

For the deferred awards plan, participants are granted shares based on past performance, with 16.5% of the shares vesting on 1 January of each of year one and two, and the remaining 67% on 1 January of year three. Vesting is conditional upon the participant remaining employed with Millicom at each vesting date. The cost of this long-term incentive plan, which is not conditional on performance conditions, is calculated as follows:

Fair value (share price) of Millicom’s shares at grant date x number of shares expected to vest.

Sign-on CEO Share Plan (new in 2015 – one off)

As part of his employment contract Millicom CEO (from 1 April 2015) received a sign-on grant of 77,344 shares. Vesting is conditional, among other conditions, on the CEO not being dismissed for cause. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above. The expense for this plan has been taken in full during 2015.

Performance Share Plan (issued in 2015)

Under this plan, shares granted will vest at the end of the three-year period, subject to performance conditions, 62.5% based on Absolute Total Shareholder Return (“TSR”) and 37.5% based on actual vs budgeted EBITDA – CAPEX – Change in Working Capital (“Free Cash Flow”). As the TSR measure is a market condition, the fair value of the shares in the performance share plan requires adjustment for future market based conditions at grant date.

For this, a specific valuation has been performed at grant date based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions.

The free cash flows (“FCF”) condition is a non-market measure which has been considered together with the leaving estimate and based initially on a 100% fulfillment expectation. The reference share price for 2015 Performance Share Plan is the same share price as the share price as the Deferred Share Plan. As at 31 December 2017, this plan is vested.

Executive Share Plan (new 2015)

Under this plan, shares were granted to the CEO and CFO based on an allocated holding of 3,333 (CEO) and 2,000 (CFO) shares for which vesting occurs based on three components at multipliers based on market conditions (a TSR for Component A and B) and performance conditions (on actual vs budgeted Free Cash Flow for Component C). The maximum number of shares that might vest under the plan is 26,664 (CEO) and 14,000 (CFO). Subject to the vesting criteria, shares under this plan will vest at the end of a three-year period.

Similarly to the Performance Share Plan, a specific valuation has been performed based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions. The FCF condition being a non-market measure, it has been considered together with the leaving estimate and based initially on a 100% fulfillment expectation. Therefore, the reference share price is the share price on the date that the CEO and the CFO agreed to the Executive Share Plan.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 7– CAPITAL AND RESERVES (continued)

7.5 Long-term incentive plans

Performance Share Plan (issued in 2016)

Shares granted under this Performance Share Plan vest at the end of the three-year period, subject to performance conditions, 25% based on Positive Absolute Total Shareholder Return (“Absolute TSR”), 25% based on Relative Total Shareholder Return (“Relative TSR”) and 50% based on budgeted Earnings Before Interest Tax Depreciation and Amortization (“EBITDA”) minus Capital Expenditure (Capex) minus Change in Working Capital (CWC) (“Free Cash Flow”).

This Performance Share Plan is measured similarly to the Performance Share Plan issued in 2015, see above. For the Performance Share Plans and the Executive Share Plan, and in order to calculate the fair value of the TSR portion of those plans, it is necessary to make a number of assumptions which are set out below. The assumptions have been set based on an analysis of historical data as at grant date.

NOTE 8 – PREPAYMENTS

	Total 31 December 2017	Total 31 December 2016
	USD	USD
Unamortized loan origination costs	14,736,766	22,774,054
Other prepayments	1,947,088	1,100,325
	16,683,854	23,874,379

As at 31 December 2017, unamortized loan origination costs amount to \$15 million (2016: \$23 million). In 2017, \$13 million have been written off due to early voluntary redemption of the notes and \$9 million has been recorded due to the issue of the new note (See note 11). The amortization for the year of USD \$5 million is recorded under “other interest and similar expenses” in the profit and loss.

NOTE 9 – OTHER PROVISIONS

	Total 31 December 2017	Total 31 December 2016
	USD	USD
Derivative financial instrument (See Note 11 i)	55,153,025	84,803,740
Provisions for guarantees on intercompany loans (Note a)	237,400,000	21,460,369
Other provisions (Note a)	16,456,208	16,986,018
	309,009,233	123,250,127

Note (a): It is mainly related to risks of some of the Company’s subsidiaries for which the Company acts as guarantor as well as a provision for other expenses directly linked with the disposal of DRC (\$12 million) and the merger in Ghana. The guarantee made to Millicom Mauritius Ltd is amounting to \$225 million. These provisions are presented in the caption “other operating charges” of the profit and loss.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 10 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

	Within one year USD	Total 31 December 2017 USD	Total 31 December 2016 USD
\$50 million Libor 6M + 2.25% (a)	25,000,000	25,000,000	-
Revolving Credit Facility (b)	-	-	-
Total	25,000,000	25,000,000	-

a) Term loan facility

In July 2016, MIC S.A. entered into a \$50 million term loan facility agreement, for which half has been repaid during 2017 and half will be repaid in January 2018. The facility bears variable interest rate at 6 month LIBOR + 2.25% per annum.

b) Revolving Credit Facility

On 30 January 2017, the Company has entered into a 5-year \$600,000,000 revolving credit facility with a group of international and regional banks and notified the lenders in the 2014 RCF of the formal cancellation of the commitments outstanding under the 2014 RCF .

Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%. As of 31 December 2017, the committed facility was fully undrawn.

NOTE 11 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

	After one year and within five years USD	More than five years USD	Total 31 December 2017 USD	Total 31 December 2016 USD
SEK Senior Unsecured Notes 2019 (a)	244,400,181	-	244,400,181	219,632,993
\$50 million Libor 6M + 2.25% (b)	-	-	-	50,000,000
\$500 million 4,75% Senior Notes (c)	-	-	-	341,524,000
\$800 million 6,625% Senior Notes (d)	-	-	-	658,476,000
\$500 million 6% Senior Notes (e)	-	500,000,000	500,000,000	500,000,000
\$500 million 5,125% Senior Notes (f)	-	500,000,000	500,000,000	-
Total	244,400,181	1,000,000,000	1,244,400,181	1,769,632,993

The total interest expense on the above debts amounts to \$99,284,347 for the year (2016: \$132,444,684) and is presented in the “Other interest and similar expenses” caption (note 20).

a) SEK Senior Unsecured Notes

On 21 April 2016, Millicom completed the placing of a new SEK 2 billion (approximately \$250 million) 3-year floating rate bond in the Swedish market. The new bond has a floating rate coupon of 3 months STIBOR +3.3% and will mature on 17 April 2019, with a first call option on 17 April 2018. The bond was issued at 100% of the principal. \$2.5 million of withheld and upfront costs were recorded as “prepayments” and are being amortized over the 3 year life of the bond. The covenant is at 3.0 x Net Debt/EBITDA.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 11 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR (continued)

b) Term loan facility

See note 10, as it has been reclassified as short term.

c) \$500 million 4.75% Senior Notes

On 30 June 2017, the Group has notified holders of the Bond of the early voluntary redemption of the notes in full. The outstanding notes totaling approximately \$342 million of principal were redeemed on 1 August 2017.

The total early redemption fees amounting to \$8 million have been recorded under “other interest and similar expenses”. The remaining \$7 million of related unamortized costs were also expensed during 2017 and recorded under the same caption.

d) \$800 million 6.625% Senior Notes

On 11 September 2017, the Group has notified holders of the Bond of the early voluntary redemption of the notes in full. The outstanding notes totaling approximately \$658 million of principal were redeemed on 15 October 2017.

The total early redemption fees amounting to \$22 million have been recorded under “other interest and similar expenses”. The remaining \$6 million of related unamortized costs were also expensed during 2017 and recorded under the same caption.

e) \$500 million 6% Senior Notes

On 11 March 2015 Millicom issued a \$500 million 6% fixed interest rate bond repayable in 10 years, to repay the El Salvador 8% Senior Notes and for general corporate purposes. The bond was issued at 100% of the principal and has an effective interest rate of 6.132%. \$7 million of withheld and upfront costs which are presented under the caption “prepayments” and recorded under “other interest and similar expenses” over the 10-year life of the bond.

f) \$500 million 5.125% Senior Notes

On 20 September 2017, Millicom issued a \$500 million 5.125% fixed interest rate bond repayable in 10 years. The bond was issued at 100% of the principal and has an effective interest rate of 5.244%. \$6 million of withheld and upfront costs are presented under the caption “prepayments” and amortised under “other interest and similar expenses” over the 10-year life of the bond.

g) Guarantees

In the normal course of business, the Company has issued guarantees to secure some of the obligations of some of the Group’s operations under bank and supplier financing agreements. As of 31 December 2017 the outstanding exposure for guarantees issued by the Company to cover debt and financing in the operations amounted to \$671 million (2016: \$640 million).

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 11 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR (continued)

i) Currency and interest rate swap contracts

At 31 December 2017, the Company had the following material foreign currency swaps outstanding:

<u>Notional amount in currency</u>	<u>Currency sold</u>	<u>Currency bought</u>	<u>Maturity date</u>
750 million SEK	USD	SEK	April 18, 2018
600 million SEK	USD	SEK	April 18, 2018
650 million SEK	USD	SEK	April 18, 2018

Interest rate and currency swaps on SEK denominated debt

The swaps are designated as cash flow hedge instruments of the SEK 2 billion SEK Bond as the timing and amounts of the cash flows under the swap agreements match the cash flows under the SEK Bond (See Note 11 a). The hedging relationship is highly effective and related fluctuations are recorded through “Other reserves” in equity. At 31 December 2017, the fair values of the swaps amount to a liability of \$55 million and have been recorded in “other provisions” in the balance sheet (2016: \$84 million).

Interest rate and currency swaps on EUR denominated debt

In June 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro’s and receive USD to hedge against exchange rate fluctuations on an intercompany seven-year Euro 134 million principal and related interest financing of its operation in Senegal. The underlying financing was repaid in August 2017 (see section c) and as a result these swaps have been settled (2016: asset of \$31 million). The Group has received \$10 million in cash. The above hedge was considered ineffective, with fluctuations in the fair value of the hedge recorded through profit and loss account for \$22 million (note 20) (2016: \$ 5 million).

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 12 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

Amounts owed to affiliated undertakings becoming due and payable within one year are detailed below:

	Total 31 December 2017		
	Amounts owed to	Amounts owed by	Net balance
Colombia Movil S.A.	(12,988,845)	12,786,369	(202,476)
Comvik International AB	(316,918)	234,161	(82,757)
MIC Tanzania Limited	(33,000,000)	1,122,328	(31,877,672)
Millicom Cable Costa Rica, S.A.	(1,322,300)	411,989	(910,311)
Millicom Cable N.V.	(10,193,545)	-	(10,193,545)
Millicom Digital Ventures AB	(42,582,356)	42,499,902	(82,454)
Millicom Holding B.V.	(132,380,606)	126,540,628	(5,839,978)
Millicom International Enterprises AB	(39,449,259)	13,072,977	(26,376,282)
Millicom International One SL	(72,392,397)	72,330,436	(61,961)
Millicom International Operations B.V.	(225,287)	117,569	(107,718)
Millicom International Operations S.A. (*)	(4,600,355,804)	3,196,821,429	(1,403,534,375)
Millicom International Services LLC	(460,352,313)	434,894,488	(25,457,825)
Millicom International V N.V.	(2,389,895)	123,692	(2,266,202)
Millicom Rwanda Ltd	(539,548)	-	(539,548)
Millicom Services AB	(404,014,599)	392,940,172	(11,074,427)
Millicom Services U.K.	(154,818,982)	147,043,693	(7,775,289)
Millicom Telecommunications B.V.	(1)	-	(1)
Navega.Com, S.A.	(77,015)	-	(77,015)
Telefonica Celular De Bolivia S.A.	(26,684,572)	19,065,225	(7,619,347)
X-Com Holding S.A.	(242,708,454)	233,141,744	(9,566,710)
Others	(2,626,490)	-	(2,626,490)
	(6,239,419,188)	4,693,146,803	(1,546,272,385)

These amounts are short term in nature and do not bear interest except the Intra-group Loan with MIC Tanzania Limited, maturing on 24 November 2018, for an amount of \$33million which bears an interest of 6% per annum. These represent intercompany payables as part of the cash management strategy of the Millicom group,

(*) As of 31 December 2017, the Company has intercompany payables owed to Millicom International Operation S.A., a direct subsidiary of the Company, for an amount of \$ 1,403 million, which resulted in a working capital deficiency of \$ 1,372 million as of 31 December 2017. MIO S.A. has provided an undertaking confirming that it will not recall for the repayment of the intercompany payable of \$ 1,403 million USD until the Company has the ability to do so.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 12 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (continued)

	Total 31 December 2016		
	Amounts owed to	Amounts owed by	Net balance
Millicom Cable 201 N.V.	(6,900,000)	-	(6,900,000)
Millicom Holding B.V.	(5,852,198)	-	(5,852,198)
Millicom International Enterprises AB	(5,752,082)	-	(5,752,082)
Millicom International Operations S.A.	(678,963,033)	110,743,394	(568,219,639)
Millicom International Services LLC	(28,596,713)	10,281,454	(18,315,259)
Millicom International SL	(1,842,466)	-	(1,842,466)
Millicom International V N.V.	(2,274,399)	-	(2,274,399)
Millicom Services AB	(10,054,541)	203,161	(9,851,380)
Millicom Services U.K.	(21,624,120)	8,748,041	(12,876,079)
Millicom Spain SL	(24,625,769)	24,625,769	-
Telefonica Celular De Bolivia S.A.	(12,411,512)	596,049	(11,815,463)
X-Com Holding S.A.	(82,012,589)	(1,561,582)	(83,574,171)
Others	(9,629,921)	5,747,395	(3,882,526)
	(890,539,343)	159,383,681	(731,155,663)

Amounts owed to affiliated undertakings becoming due and payable after more than one year are detailed below:

	Total 31 December 2017		
	Amounts owed to	Amounts owed by	Net balance
Millicom Re S.A.	(900,000)	-	(900,000)
	(900,000)	-	(900,000)

	Total 31 December 2016		
	Amounts owed to	Amounts owed by	Net balance
MIC Tanzania Limited	(35,216,500)	-	(35,216,500)
	(35,216,500)	-	(35,216,500)

On 6 July 2017, the Company entered into an interest-free Loan Facility Agreement with Millicom Re S.A.. It is amounting to USD 900,000. Unless repaid earlier, the Company shall repay the principal amount in one final installment, which will be due and payable on 31 December 2022.

NOTE 13 – OTHER CREDITORS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

As at 31 December 2017, amounts due to other creditors amounted to \$51 million (2016: \$56 million) and mainly related to accrued interest payable on debt and accrued expenses for legal and other professional fees.

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 14 – OTHER OPERATING INCOME

Amount is composed as follows:

	Total 31 December 2017	Total 31 December 2016
	USD	USD
Value creation fees	147,594,006	158,301,794
Other intercompany revenue	18,689,093	19,123,264
Other revenue	1,682,415	10,642,088
	<u>167,965,514</u>	<u>188,067,145</u>

NOTE 15 – STAFF COSTS

The average number of permanent employees during 2017 was 78 (2016: 81).

NOTE 16 – OTHER OPERATING CHARGES

Amount is composed as follows:

	Total 31 December 2017	Total 31 December 2016
	USD	USD
Director fees	2,075,677	1,042,469
Business support services	82,554,485	83,286,708
Bandwidth charges	13,576,286	14,211,559
Consultancy fees	4,992,324	6,521,071
Legal fees	10,480,761	11,335,296
Tax, accounting and audit charges	4,081,332	4,928,475
External services	18,000,920	22,229,204
Other (*)	230,667,823	61,696,624
	<u>366,429,608</u>	<u>205,251,406</u>

(*) For the year ended 31 December 2017, other operating charges included a provision of \$225 million for risks concerning some of the Company's subsidiaries for which the Company acts as guarantor. These provisions are presented in the caption "other provisions" of the balance sheet.

(*) For the year ended 31 December 2016, other operating charges included a provision of \$24 million for risks concerning some of the Company's subsidiaries for which the Company acts as guarantor as well as a provision for other expenses directly linked with the disposal of DRC. These provisions are presented in the caption "other provisions" of the balance sheet.

NOTE 17 – INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

In 2017, the Company received dividends of \$39 million (2016: \$323 million) including \$34 million from Millicom International Operations B.V. (2016: \$23 million), \$ nil million from Millicom International Operations S.A. (2016: \$300 million) as well as \$5 million from Millicom Services Ltd (2016: \$nil).

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 18 – OTHER INTEREST AND SIMILAR INCOME

Amount is composed as follows:

	Total 31 December 2017	Total 31 December 2016
	USD	USD
Interest income	2,229,424	9,542,203
Effect on change of accounting policy (note 2.1)	-	90,616,911
Foreign exchange gain	19,013,277	905,948
Fair value movements on derivative instruments (note 11)	-	5,348,949
	<u>21,242,701</u>	<u>106,414,012</u>

NOTE 19 – VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Amount is composed as follows:

	Total 31 December 2017	Total 31 December 2016
Impairment of treasury shares (note 7)	-	13,493,591
Reversal of Impairment of treasury shares (note 7)	(38,752,855)	-
Impairment of shares in undertakings with which the company is linked by virtue of participating interest (note 5.1)	54,465,375	88,434,624
Total	<u>15,712,521</u>	<u>101,928,214</u>

NOTE 20 – OTHER INTEREST AND SIMILAR EXPENSES

	Total 31 December 2017	Total 31 December 2016
Interest on bonds/loans	94,175,414	126,832,923
Early redemption charges (note 11)	43,047,604	24,750,264
Amortization of bond issuance cost (note 8)	5,108,933	5,861,497
Effect on change of accounting policy (note 2.1)	-	66,384,217
Fair value movements on derivative instruments (note 11)	22,021,838	-
Other	3,440,872	2,920,077
Total	<u>167,794,662</u>	<u>226,748,978</u>

Millicom International Cellular S.A.
Notes to the annual accounts as at 31 December 2017

NOTE 21 – TAX ON PROFIT OR LOSS

The Company is subject to all taxes applicable to a Luxembourg Société Anonyme. The Company has been granted fiscal unity with Millicom International Operations S.A. (“MIOSA”).

Tax charges for 2017 comprised withholding taxes on consultancy, royalty and technical fees charged to affiliated companies for \$5 million (2016: \$4 million).

The Company has tax losses carried forward of \$3,570 million (2016: \$3,170 million) which do not expire. The carrying forward of tax losses incurred as from 1st January 2017 is limited to 17 years.

NOTE 22– COMMITMENTS AND CONTINGENCIES

The Company is contingently liable with respect to lawsuits and other matters that arise in the normal course of business.

As of 31 December 2017 the total amount of claims, litigation and tax risks against the Company was \$19 million (2016: \$15 million) on 2017 nil was provided (2016: nil).

In June 2016, Millicom was served with claims by a third party seeking to exert rights as a shareholder of Millicom Tanzania Ltd (Tigo Tanzania). In June 2015, Millicom identified that an incorrect filing related to Tigo Tanzania had been made in the commercial register, causing the register to incorrectly indicate that shares in the local subsidiary were owned by this third party. Millicom remains engaged in legal proceedings regarding this issue. Millicom believes that these claims are entirely without merit and, moreover, maintains that there is no valid basis whatsoever for any third party to claim any interest in Tigo Tanzania or be registered as one of its shareholders. Millicom continues to fully consolidate Tigo Tanzania and no provision has been recorded in relation of this claim.

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company’s joint venture in Guatemala. On 4 May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. Millicom continues to cooperate with law enforcement authorities in the United States. As at 31 December 2017, the matter is still under investigation and Management has not been able to assess the potential impact on these interim condensed consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of 31 December 2017.

On 14 July 2017, the International Commission Against Impunity in Guatemala (CICIG), disclosed an ongoing investigation into alleged illegal campaign financing that includes a competitor of Comcel, our Guatemalan joint venture. The CICIG further indicated that the investigation would include Comcel. On 23 and 24 November 2017, Guatemala’s attorney general and CICIG executed search warrants on the offices of Comcel. As at 31 December 2017, the matter is still under investigation and Management has not been able to assess the potential impact on these interim condensed consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of 31 December 2017.

NOTE 22– COMMITMENTS AND CONTINGENCIES (Continued)

Capital commitments

At 31 December 2017, the Company and its subsidiaries and joint ventures had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of \$192 million of which \$180 million are due within one year (31 December 2016: \$179 million of which \$162 million are due within one year). Out of these commitments, respectively \$23 million and \$21 million related to Millicom's share in joint ventures. (31 December 2016: \$17 million and \$14 million).

Dividends

The ability of the Company to make dividend payments is subject to, among other things, the terms of the indebtedness, local legal restrictions and the ability to repatriate funds from the Company's various operations.

NOTE 23 – RELATED PARTY TRANSACTIONS

Subsidiaries, joint-ventures and associates of Millicom Group

The Company conducts transactions with subsidiaries, joint-ventures and associates of Millicom Group on normal commercial terms and conditions. These transactions may include loans granted / received to / from group entities (notes 6 & 12), intercompany recharges in connection with delivery / reception of services (note 14 and note 16) and other operations.

Kinnevik

Millicom's principal shareholder is Kinnevik AB ("Kinnevik"). Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At 31 December 2017, Kinnevik owned approximately 38% of Millicom (2016: 38%). During 2017 and 2016, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of Kinnevik or Kinnevik controlled entities.

During 2017 and 2016 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

NOTE 24 – AUDIT FEES

Art. 65 paragraph (1) 16° of the Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings (the "law") requires the disclosure of the independent auditor fees. In conformity with the law these details have been omitted as the Company prepares consolidated accounts in which this information is disclosed and these consolidated accounts and the related consolidated management report and auditors' report thereon have been lodged with the Luxembourg Trade Registry.

NOTE 25 – SUBSEQUENT EVENTS

Dividend

On 6 February 2018, Millicom's Board decided to propose to the Annual General Meeting of the Shareholders a dividend distribution of US\$2.64 per share to be paid in two equal instalments in May and November 2018, out of Millicom profits for the year ended December 31st, 2017 subject to the Board's approval of the 2017 Consolidated Financial Statements of the Group.

Africa disposals

On January 31st, 2018, the Group announced that it has completed the transaction announced on December 19th, 2017 for the sale of its Rwanda operation to subsidiaries of Bharti Airtel Limited.

Tower sale and lease back – El Salvador

On February 6th, 2018, we entered into a sale-leaseback agreement with SBA Communications related to a portfolio of approximately 800 towers in El Salvador. As a result of the transaction, Millicom expects to receive cash proceeds of around \$145 million.