Financials

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Independent auditor's report

To the shareholders of Millicom International Cellular S.A.

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 17 May 2016, we have audited the accompanying consolidated financial statements of Millicom International Cellular S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Millicom International Cellular S.A., as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report on pages 90 to 91, which is the responsibility of the Board of Directors is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 92 to 127, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 7 February 2017

Introduction

Corporate information

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, TV and investments in online businesses in Latin America and 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.

On 7 February 2017 the Board of Directors (the "Board") authorized these consolidated financial statements for issuance. The approval will be submitted for ratification by the shareholders at the Annual General Meeting to be held on 4 May 2017.

Business activities

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.

On 31 December 2015, Millicom deconsolidated its operations in Guatemala and Honduras which are, since that date and for accounting purposes, under joint control. Income statements of those operations are still fully consolidated for the year ended 2015 (see note A.2.2., for further details).

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 providing e-payments and content to its mobile and cable customers.

IFRS consolidated financial statements

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). This is in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards for listed companies domiciled in the European Union.

The financial statements have been prepared on an historical cost basis, except for certain items including derivative financial instruments and call options (measured at fair value), financial instruments that contain obligations to purchase own equity instruments (measured at the present value of the redemption price), and property, plant and equipment under finance leases (initially measured at the lower of fair value and present value of the future minimum lease payments).

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material items are not included in these financial statements.

Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as of 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

Introduction – continued

IFRS consolidated financial statements – continued

Foreign currency

Financial information in these financial statements are shown in the US dollar presentation currency of the Group and rounded to the nearest million (US$ million) except where otherwise indicated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associate reflects the economic substance of the underlying events and circumstances of these entities. Except for DRC and El Salvador where the functional currency is US dollar, the functional currency in other countries is the local currency.

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary environment) with functional currency other than the US dollar presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate on the date of the statement of financial position;

ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) All resulting exchange differences are recognized as a separate component of equity ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When the Group disposes of or loses control over a foreign operation, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on sale or loss of control.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following table presents functional currency translation rates for the Group's locations to the US dollar on 31 December 2016 and 2015.

Exchange rates to the US dollar	Functional currency	2016 Average rate	2016 Year-end rate	2015 Year-end rate	Change %
Bolivia	Boliviano (BOB)	**6.91**	**6.91**	6.91	n/a
Chad and Senegal	CFA Franc (XAF)	**600.08**	**626.14**	609.96	2.65
Colombia	Peso (COP)	**3,048.51**	**3,000.71**	3,149.47	(4.72)
Costa Rica	Costa Rican Colon (CRC)	**551.47**	**561.10**	544.87	2.98
DRC	US dollar	**n/a**	**n/a**	n/a	n/a
El Salvador	US dollar	**n/a**	**n/a**	n/a	n/a
Ghana	Cedi (GHS)	**3.92**	**4.20**	3.80	10.53
Guatemala	Quetzal (GTQ)	**7.61**	**7.52**	7.63	(1.44)
Honduras	Lempira (HNL)	**22.92**	**23.59**	22.43	5.17
Luxembourg	Euro (EUR)	**0.91**	**0.95**	0.92	3.26
Nicaragua	Cordoba (NIO)	**28.62**	**29.32**	27.93	4.98
Paraguay	Guarani (PYG)	**5,685.89**	**5,766.93**	5,806.91	(0.69)
Rwanda	Rwandan Franc (RWF)	**786.82**	**819.79**	747.41	9.68
Sweden	Krona (SEK)	**8.58**	**9.11**	8.44	7.94
Tanzania	Shilling (TZS)	**2,183.35**	**2,181.00**	2,159.00	1.02
United Kingdom	Pound (GBP)	**0.74**	**0.81**	0.68	19.12

Introduction – continued

New and amended IFRS accounting standards

Standards or amendments	Objective	IASB effective date
Adopted by Millicom on 1 January 2016 with no material impact to the consolidated financial statements		
Amendment to IAS 1	These amendments are part of the IASB initiative to improve presentation and disclosure in financial report, and rather clarify than significantly change, the existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1, that specific line items in the statement(s) of profit or loss, and Other Comprehensive Income ('OCI') and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements, that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.	1 January 2016
Annual improvements 2014	These set of amendments impact four standards: IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal, IFRS 7, "Financial instruments: Disclosures", IAS 19, "Employee benefits" regarding discount rates, IAS 34, "Interim financial reporting" regarding disclosure of information.	1 January 2016
Amendments to IAS 38 and IAS 16	Clarification of acceptable methods of depreciation and amortization issued by the IASB in July 2014.	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations issued by the IASB in May 2014.	1 January 2016
Not yet effective and not early adopted by Millicom on 1 January 2016		
IFRS 9, "Financial Instruments"	IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. The Group does not expect IFRS 9 to have a material impact on the consolidated financial statements and intends to adopt IFRS 9 no later than the compulsory adoption date of 1 January 2018.	1 January 2018
IAS 12, "Recognition of deferred tax assets for unrealized losses"	The IASB issued the amendments to IAS 12 Income taxes to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017

Introduction – continued

New and amended IFRS accounting standards – continued

Standards or amendments	Objective	IASB effective date
IFRS 15, "Revenue from contracts with customers"	IFRS 15 establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group is currently conducting a Group-wide IFRS 15 assessment and implementation project. Based on the analyses made to date, the Group estimates that IFRS 15 will have an impact on the timing and amount of revenue recognition in connection with certain multiple-element arrangements and more particularly on hardware subsidies (e.g. mobile handsets). Under IFRS 15 a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception (e.g. mobile handset), requiring earlier revenue recognition. The delivery of subsidized handsets would likely lead to the recognition of a contract asset. As a result, this would likely lead to higher revenue from the sale of hardware and to lower revenue from the provision of telecommunications services. The recognition of commission costs related to the acquisition of customers is also expected to be affected as the Group will have to capitalize certain of these commissions. Moreover, the new Standard could impact transactions wherein third parties are involved concerning the gross vs net presentation of revenue. Consequently, IFRS 15 might have a material effect on the statement of financial position and income statement at first-time adoption, however a reasonable estimate of the quantitative impact is not possible to be derived at this stage. The Group expects to adopt IFRS 15 using the cumulative catch-up transition method no later than the compulsory adoption date of 1 January 2018. As the Group does not intend to early adopt the Standard, no material impact on revenue recognition is expected at year-end 2017.	1 January 2018
IFRS 16, "Leases"	The application of the Standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$727 million, see note G.2. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows. This said, the application of this Standard will affect net debt and leverage ratios of the Group. Some of the commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The new Standard is effective 1 January 2019 (subject to endorsement by the EU). Early application is permitted (as long as the recently issued revenue Standard, IFRS 15 "Revenue from Contracts with Customers" is also applied). The Group intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2019
IAS 7, Disclosure initiative – Amendment to IAS 7	The amendments to IAS 7 Statement of cash flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017
IFRIC 22, "Foreign currency transactions and advance consideration"	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it once it is endorsed by the EU.	1 January 2018
Annual improvements 2014–2016	These amendments impact three standards: IFRS 1, "First-time adoption of IFRS", regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018. The Group does not expect these improvements to have a material impact on the consolidated financial statements.	1 January 2018

Introduction – continued

Judgments and critical estimates

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and actual results may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each note and are summarized below:

Judgments

Management apply judgment in accounting treatment and accounting policies in preparation of these financial statements. In particular a significant level of judgment is applied regarding the following items:

- **Contingent liabilities** – whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- **Leases** – whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see notes E.2. and G.2.).
- **Control** – whether Millicom, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates, or jointly direct the relevant activities of its joint ventures (see notes A.1., A.2.).
- **Discontinued operations and assets held for sale** – definition, classification and presentation (see notes A.4., E.3.1.) as well as measurement of potential provisions related to indemnities.
- **Deferred tax assets** – recognition based on likely timing and level of future taxable profits together with future tax planning strategies (see notes B.6.3. and G.3.2.).
- **Acquisitions** – measurement at fair value of existing and newly identified assets and goodwill, the measurement of property, plant and equipment and intangible assets, and the assessment of useful lives (see notes A.1.2., E.1.1., E.1.5., E.2.1.).
- **Financial instruments that contain obligations to purchase own equity instruments** – determination of the likelihood of change of control events occurring in assessing the fair value of the Guatemala and Honduras put options in 2015 (see note C.6.3.).
- **Defined benefit obligations** – key assumptions related to life expectancies, salary increases and leaving rates, mainly related to UNE Colombia (see note B.4.3.).
- **Impairment testing** – Key assumptions related to future business performance (see notes E.1.2., E.1.6., E.2.2.).

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. Estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant estimates have been applied in respect of the following items:

- **Accounting for property, plant and equipment, and intangible assets** in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see note E.2.1.).
- **Useful lives of property, plant and equipment and intangible assets** (see notes E.1.1., E.2.1.).
- **Provisions, in particular provisions for asset retirement obligations, legal and tax risks** (see note F.4.).
- **Revenue recognition** (see note B.1.1.).
- **Impairment testing including** WACC and long term growth rates (see note E.1.6.).
- **Estimates for defined benefit obligations** (see note B.4.3.).
- **Accounting for share-based compensation** in particular estimates of forfeitures and future performance criteria (see note B.4.1., B.4.2.).
- **Fair value of financial assets and liabilities** in particular the put and call options related to our businesses in Guatemala and Honduras and the fair value of such investments on deconsolidation (see note A.2.2., C.6.3.).

Consolidated statement of income

for the year ended 31 December 2016

US$ millions	Notes	2016[ii]	2015[i]
Revenue	B.1.	**4,374**	6,572
Cost of sales	B.2.	**(1,279)**	(1,793)
Gross profit		**3,096**	4,778
Operating expenses	B.2.	**(1,781)**	(2,590)
Depreciation	E.2.2.	**(744)**	(1,035)
Amortization	E.1.3.	**(184)**	(246)
Income from joint ventures, net	A.2.	**115**	—
Other operating expenses		**(20)**	(64)
Operating profit	B.3.	**482**	843
Interest expense		**(394)**	(425)
Interest and other financial income		**22**	22
Other non-operating (expenses) income, net	B.5.	**10**	(624)
Income (loss) from associates, net	A.3.	**(49)**	100
Profit (loss) before taxes from continuing operations		**71**	(83)
Charge for taxes, net	B.6.	**(180)**	(278)
Loss for the year from continuing operations		**(109)**	(361)
Profit (loss) for the year from discontinued operations, net of tax	A.4.	**19**	(83)
Net loss for the year		**(90)**	(444)
Attributable to:			
The owners of Millicom		**(32)**	(559)
Non-controlling interests		**(58)**	115
Earnings per common share for profit (loss) attributable to the owners of the Company:			
Basic (US$ per common share):			
— from continuing operations		**(0.51)**	(4.76)
— from discontinued operations		**0.19**	(0.83)
— **total**	B.7.	**(0.32)**	(5.59)
Diluted (US$ per common share)			
— from continuing operations		**(0.51)**	(4.76)
— from discontinued operations		**0.19**	(0.83)
— **total**	B.7.	**(0.32)**	(5.59)

(i) Re-presented for discontinued operations (shown in note A.4.).
(ii) The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated income statement is shown in note A.2.2.

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

Consolidated statement of comprehensive income

for the year ended 31 December 2016

US$ millions	2016	2015
Net loss for the year	**(90)**	(444)
Other comprehensive income (to be reclassified to the income statement in subsequent periods), net of tax:		
Exchange differences on translating foreign operations(i)	**(14)**	(438)
Change in value of cash flow hedges, net of tax effects	**(3)**	(3)
Other comprehensive income (not to be reclassified to the income statement in subsequent periods), net of tax:		
Remeasurements of post-employment benefit obligations, net of tax effects	**(2)**	—
Total comprehensive loss for the year	**(109)**	(885)
Attributable to:		
Owners of the Company	**(60)**	(897)
Non-controlling interests	**(49)**	12

(i) Cumulative exchange differences of US$192 million has been reclassified in the income statement as of 31 December 2015 following the deconsolidation of Honduras and Guatemala (see note A.2.2.).

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

Consolidated statement of financial position

at 31 December 2016

US$ millions	Notes	31 December 2016	31 December 2015[i]
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.	**1,359**	1,429
Property, plant and equipment, net	E.2.	**3,057**	3,198
Investments in joint ventures	A.2.	**2,945**	3,220
Investments in associates	A.3.	**331**	376
Deferred tax assets	B.6.	**166**	188
Derivative financial instruments	D.1.2.	**32**	26
Other non-current assets		**72**	75
TOTAL NON-CURRENT ASSETS		**7,961**	8,512
CURRENT ASSETS			
Inventories, net	F.2.	**62**	80
Trade receivables, net	F.1.	**387**	398
Amounts due from non-controlling interests, associates and joint ventures	G.5.	**17**	16
Prepayments and accrued income		**171**	193
Current income tax assets		**101**	125
Supplier advances for capital expenditure		**23**	39
Other current assets		**110**	109
Restricted cash	C.4.	**145**	142
Cash and cash equivalents	C.4.	**646**	769
TOTAL CURRENT ASSETS		**1,661**	1,871
Assets held for sale	E.3.2.	**5**	12
TOTAL ASSETS		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

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

Consolidated statement of financial position

at 31 December 2016 – continued

US$ millions	Notes	31 December 2016	31 December 2015(i)
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	C.1.	**638**	639
Treasury shares		**(123)**	(143)
Other reserves	C.1.	**(562)**	(531)
Retained profits		**3,247**	4,071
Loss for the year attributable to equity holders		**(32)**	(559)
Equity attributable to owners of the Company		**3,167**	3,477
Non-controlling interests	A.1.5.	**201**	251
TOTAL EQUITY		**3,368**	3,728
LIABILITIES			
Non-current liabilities			
Debt and financing	C.3.	**3,821**	3,789
Derivative financial instruments	D.1.2.	**84**	65
Amounts due to associates and joint ventures	G.5.	**113**	63
Provisions and other non-current liabilities	F.4.2.	**286**	243
Deferred tax liabilities	B.6.	**57**	50
Total non-current liabilities		**4,361**	4,210
Current liabilities			
Debt and financing	C.3.	**80**	221
Payables and accruals for capital expenditure		**326**	285
Other trade payables		**297**	334
Amounts due to non-controlling interests, associates and joint ventures	G.5.	**273**	581
Accrued interest and other expenses		**376**	425
Current income tax liabilities		**68**	124
Provisions and other current liabilities	F.4.1.	**477**	487
Total current liabilities		**1,898**	2,457
Liabilities directly associated with assets held for sale	E.3.2.	**—**	—
TOTAL LIABILITIES		**6,258**	6,667
TOTAL EQUITY AND LIABILITIES		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

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

Consolidated statement of cash flows

for the year ended 31 December 2016

US$ millions	Notes	2016	2015[i]
Cash flows from operating activities			
Profit (loss) before taxes from continuing operations		**71**	(83)
Profit (loss) before taxes from discontinued operations	A.4.	**13**	(70)
Profit (loss) before taxes		**83**	(153)
Adjustments to reconcile to net cash:			
Interest expense (income), net		**397**	442
Interest and other financial income		**(22)**	(22)
Adjustments for non-cash items:			
Depreciation and amortization		**932**	1,321
Income from joint ventures, net	A.2.	**(115)**	—
Loss on disposal and impairment of assets, net	E.1.6.	**19**	66
Share based compensation	C.1.	**14**	19
(Income) loss from associates, net	A.3.	**49**	(100)
Other non-cash non-operating (income) expenses, net	B.5.	**(22)**	622
Changes in working capital:			
Decrease (increase) in trade receivables, prepayments and other current assets		**102**	162
(Increase) decrease in inventories		**19**	17
Increase (decrease) in trade and other payables		**(109)**	(117)
Changes in working capital:		**12**	62
Interest (paid)		**(357)**	(377)
Interest received		**19**	23
Taxes (paid)		**(130)**	(252)
Net cash provided by operating activities		**878**	1,651
Cash flows from investing activities:			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	A.1.	**—**	(54)
Dividend received from joint-ventures	A.2.2.	**143**	—
Effect of deconsolidation of Guatemala and Honduras subsidiaries	A.2.2.	**—**	(168)
Proceeds from disposal of subsidiaries, net of cash disposed	E.3.2.	**147**	4
Purchase of intangible assets and licenses	E.1.4.	**(143)**	(186)
Proceeds from sale of intangible assets	E.1.3.	**6**	4
Purchase of property, plant and equipment	E.2.3.	**(719)**	(1,019)
Proceeds from sale of property, plant and equipment	E.2.2.	**6**	5
Net (increase) decrease in restricted cash		**—**	(17)
Dividend received from associates	A.3.	**—**	6
Cash (used in) provided by other investing activities, net		**8**	14
Net cash used in investing activities		**(552)**	(1,411)
Cash flows from financing activities:			
Acquisition of non-controlling interests	A.1.2.	**—**	(39)
Proceeds from debt and financing	C.3.	**713**	1,880
Repayment of debt and financing	C.3.	**(821)**	(1,392)
Advances for, and dividends to non-controlling interests	A.1./A.2.	**(68)**	(269)
Payment of dividends to equity holders	C.2.	**(265)**	(264)
Cash (used in) provided by other financing activities, net		**—**	—
Net cash from (used by) financing activities		**(441)**	(84)
Exchange impact on cash and cash equivalents, net		**(8)**	(81)
Net (decrease) increase in cash and cash equivalents		**(123)**	75
Cash and cash equivalents at the beginning of the year		**769**	694
Cash and cash equivalents at the end of the year		**646**	769

(i) Honduras and Guatemala operations are fully consolidated for the year ended 31 December 2015. The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated statement of cash flows are shown in note A.2.2.

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

Consolidated statement of changes in equity

for the year ended 31 December 2016

US$ millions	Number of shares (000's)	Number of shares held by the Group (000's)	Share capital(i)	Share premium	Treasury shares	Retained profits(ii)	Put option reserve	Other reserves(iv)	Total	Non-controlling interests	Total equity
Balance on 31 December 2014	**101,739**	**(1,756)**	**153**	**487**	**(160)**	**4,761**	**(2,512)**	**(389)**	**2,339**	**1,391**	**3,730**
Total comprehensive income for the year	—	—	—	—	—	(559)	—	(338)	(897)	12	(885)
Dividends(v)	—	—	—	—	—	(264)	—	—	(264)	(244)	(508)
Purchase of treasury shares	—	(29)	—	—	(2)	—	—	—	(2)	—	(2)
Share based compensation(vi)	—	—	—	—	—	—	—	19	19	—	19
Issuance of shares under share based compensation schemes	—	209	—	(1)	19	—	—	(18)	—	—	—
Change in scope of consolidation(vii)	—	—	—	—	—	(48)	—	3	(45)	10	(35)
Effect of deconsolidation(ix)	—	—	—	—	—	—	—	192	192	(918)	(726)
Put option liability reversal (iii)	—	—	—	—	—	(377)	2,512	—	2,135	—	2,135
Balance on 31 December 2015(viii)	**101,739**	**(1,574)**	**153**	**486**	**(143)**	**3,513**	**—**	**(531)**	**3,477**	**251**	**3,728**
Total comprehensive income for the year	—	—	—	—	—	(32)	—	(28)	(60)	(49)	(109)
Dividends(v)	—	—	—	—	—	(265)	—	—	(265)	—	(265)
Purchase of treasury shares	—	(37)	—	—	(3)	—	—	—	(3)	—	(3)
Share based compensation(vi)	—	—	—	—	—	—	—	14	14	—	14
Issuance of shares under share based compensation schemes	—	216	—	(1)	23	(1)	—	(17)	4	—	4
Balance on 31 December 2016	**101,739**	**(1,395)**	**153**	**485**	**(123)**	**3,215**	**—**	**(562)**	**3,167**	**201**	**3,368**

(i) Share capital and share premium – see note C.1.
(ii) Retained profits – includes profit for the year attributable to equity holders, of which $321 million; (2015: $384 million) are not distributable to equity holders.
(iii) Put option reserve – see note C.1.
(iv) Other reserves – see note C.1.
(v) Dividends – see notes C.2.
(vi) Share-based compensation – see note C.1.
(vii) Change in scope of consolidation in 2015 – Zantel, Edatel and Tigo Rwanda see note A.1.2.
(viii) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).
(ix) Effect of deconsolidation of Honduras and Guatemala – see note A.2.2.

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

Notes to the consolidated financial statements

for the year ended 31 December 2016

A. The Millicom Group

The Group comprises a number of holding companies and operating subsidiaries with various combinations of mobile, fixed line telephony, cable and wireless PayTV, internet and Mobile Financial Services businesses. The Group also holds investments in a tower holding company investing in Africa and in online businesses in Latin America and Africa.

A.1. Subsidiaries

Subsidiaries are all entities which Millicom controls. Millicom controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. Millicom has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally, control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether Millicom controls an entity. For example, although Millicom holds less than 50% of the shares in its Colombian businesses, it holds more than 50% of shares with voting rights. The contrary may also be true (e.g. Guatemala and Honduras).

Our main subsidiaries are as follows:

Entity	Country	Activities	31 December 2016 % holding	31 December 2015 % holding
Central America				
Telemovil El Salvador S.A.	El Salvador	Mobile, MFS	**100.0**	100.0
Cable El Salvador S.A. de C.V.	El Salvador	Cable, DTH	**100.0**	100.0
Navega.com SA, Succursal El Salvador	El Salvador	Cable, DTH	**100.0**	100.0
Cable Costa Rica S.A.	Costa Rica	Cable, DTH	**100.0**	100.0
South America				
Telefonica Celular de Bolivia S.A.	Bolivia	Mobile, DTH, MFS, Cable	**100.0**	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	Mobile, MFS, Cable, PayTV	**100.0**	100.0
Colombia Móvil S.A. E.S.P.(i)	Colombia	Mobile	**50.0-1 share**	50.0-1 share
UNE EPM Telecomunicaciones S.A.(i)	Colombia	Fixed line, Internet, PayTV, Mobile	**50.0-1 share**	50.0-1 share
Edatel S.A. E.S.P.(i)	Colombia	Fixed line, Internet, PayTV, Cable	**50.0-1 share**	50.0-1 share
Africa				
Millicom Ghana Company Limited	Ghana	Mobile, MFS	**100.0**	100.0
Sentel GSM S.A.	Senegal	Mobile, MFS	**100.0**	100.0
MIC Tanzania Limited (iii)	Tanzania	Mobile, MFS	**100.0**	100.0
Oasis S.A.(ii)	DRC	Mobile, MFS	**—**	100.0
Millicom Tchad S.A.	Chad	Mobile, MFS	**100.0**	100.0
Millicom Rwanda Limited	Rwanda	Mobile, MFS	**100.0**	100.0
Zanzibar Telecom Limited	Tanzania	Mobile, MFS	**85.0**	85.0
Unallocated				
Millicom International Operations S.A.	Luxembourg	Holding Company	**100.0**	100.0
Millicom International Operations B.V.	Netherlands	Holding Company	**100.0**	100.0
MIC Latin America B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Africa B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Holding B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Spain S.L.	Spain	Holding Company	**100.0**	100.0

(i) Fully consolidated as Millicom has the majority of voting shares to direct the relevant activities.
(ii) Disposed of in April 2016 and classified as discontinued operations for the year then ended (see note A.1.4.).
(iii) See note H.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to Millicom. If facts and circumstances indicate that there are changes to one or more of the elements of control, a reassessment is performed to determine if control still exists. Subsidiaries are de-consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Acquisition of subsidiaries and increases in non-controlling interests in subsidiaries

During the year ended 31 December 2016, Millicom did not make any significant acquisition.

During 2015 Millicom acquired 85% of the shares and control of Zanzibar Telecom Limited, raised its stake in its Rwandan subsidiary from 87.5% to 100% and in one of the UNE subsidiaries (Edatel S.A. E.S.P.) from 80% to 100%. The Group also made other smaller acquisitions for a total consideration of US$20 million.

Acquisition of Zanzibar Telecom Limited on 22 October 2015

On 4 June 2015 Millicom's fully owned Swedish subsidiary Millicom International Ventures AB entered into an agreement to purchase 85% of Zanzibar Telecom Limited ("Zantel"). The agreed purchase consideration was US$1 subject to final price adjustment and included a shareholder loan. In addition Millicom assumed Zantel's debt obligations. The transaction completed on 22 October 2015 after receipt of regulatory approvals. A final price adjustment, if any, may still occur in the coming months after the appointment of an independent expert. The deal also includes a reverse earn-out mechanism based on Zantel's achievement of EBITDA targets for the period from 2017 to 2019. No amounts have been recognized under this mechanism.

For the purchase accounting, Millicom determined the fair value of Zantel based on transaction and relative values. The non-controlling interest was measured based on the proportionate share of the fair value of the net assets of Zantel. The purchase accounting was updated and finalized in 2016 when additional information became available regarding fair values of acquired assets and liabilities.

22 October 2015 (US$ millions)	Initial fair values 100%	**Final fair values 100%**	Change
Intangible assets (excluding goodwill), net.[(i)]	36	**75**	39
Property, plant and equipment, net[(ii)]	40	**32**	(8)
Other non-current assets[(iii)]	1	**14**	13
Current assets (excluding cash)[(iv)(v)]	30	**41**	11
Cash and cash equivalents	5	**5**	—
Total assets acquired	112	**167**	55
Non-current liabilities	81	**77**	(4)
Current liabilities	104	**103**	(1)
Total liabilities assumed	185	**180**	(5)
Fair value of assets acquired and liabilities assumed, net	(73)	**(13)**	60
Fair value of non-controlling interest in Zantel	(39)	**(2)**	37
Millicom's interest in the fair value of Zantel	(34)	**(11)**	23
Acquisition price (US$1 dollar)	—	**—**	—
Goodwill	34	**11**	(23)

(i) Intangible assets not previously recognized are a trademark for an amount of US$10 million, with indefinite useful life, a customer list for an amount of US$13 million, with estimated useful life of four years, telecommunication spectrum licenses for an amount of US$23 million, with estimated useful life of ten years and favorable contracts for US$2 million. Certain IRUs were also written down to their fair values for an amount of US$9 million.
(ii) Certain network and civil works assets were adjusted down to their fair value for an amount of US$10 million. Certain land values were also stepped up to their fair value for an amount of US$2 million.
(iii) The change in other non-current assets mainly corresponds to the step up at fair value of Zantel's 9% investment in the West Indian Ocean Cable Company Limited ("WIOCC"), a telecommunications carriers' carrier.
(iv) Current assets includes indemnification assets at fair value for an amount of US$11 million.
(v) The fair value of trade receivables acquired was US$19 million.

The update of the purchase price allocation resulted in an impact on net income of less than US$(1) million for the year ended 31 December 2015, which has been considered as immaterial and has not triggered a restatement of the prior year income statement. The goodwill, which comprises the fair value of the assembled work force and expected synergies from the acquisition, is not tax deductible.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

Control over UNE and subsidiaries obtained on 14 August 2014
On 1 October 2013 Millicom signed an agreement with Empresas Públicas de Medellín E.S.P. ("EPM"), to combine and merge their mutual interests in Millicom's Colombian operations ("Colombia Móvil"), with UNE EPM Telecomunicaciones S.A. ("UNE"). The merger created a business offering a comprehensive range of bundled digital services including mobile and fixed telephony, mobile and fixed broadband and PayTV products and services in complementary geographic areas. The transaction was completed on 14 August 2014.

In August 2015, the purchase accounting for the acquisition of UNE was finalized. The completion of the purchase price allocation resulted in an impact on net profit of US$(2) million for the year ended 31 December 2015.

A.1.3. Cash flows from acquisition of subsidiaries, joint ventures and associates

Cash inflows and outflows (US$ millions)	**2016**	2015
Net cash acquired from acquisition of Zantel	—	5
Increase in shareholdings (investments) in Online businesses	—	(29)
Other acquisitions (net of cash acquired)	—	(30)
Total	—	(54)

A.1.4. Disposal of subsidiaries and decreases in non-controlling interests of subsidiaries
DRC
On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. (see note E.3.).

Other disposals
For the year ended 31 December 2016, Millicom did not dispose of any investments. For the year ended 31 December 2015, Millicom disposed of minor subsidiries for a cash consideration of US$4 million.

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests
At 31 December 2016, Millicom's subsidiaries with material non-controlling interests were the Group's operations in Colombia (UNE and Colombia Móvil).

Balance sheet – non-controlling interests 31 December (US$ millions)	**2016**	2015
Colombia (including UNE and Colombia Móvil)	**207**	254
Others	**(6)**	(3)
Total	**201**	251

Profit (loss) attributable to non-controlling interests (US$ millions)	**2016**	2015
Guatemala operations (until 31 December 2015 – see note A.2.2.)	—	148
Honduras operations (until 31 December 2015 – see note A.2.2.)	—	20
Colombia (including UNE and Colombia Móvil)	**(55)**	(50)
Others	**(3)**	(3)
Total	**(58)**	115

The summarized financial information for the year ended 31 December 2015 in respect of material non-controlling interests in the Guatemala and Honduras operations are presented in note A.2.2.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests – continued

The summarized financial information for material non-controlling interests in our operation in Colombia (including UNE and Colombia Móvil) is provided below. This information is based on amounts before inter-company eliminations.

UNE and subsidiaries (including Colombia Móvil) (US$ millions)	2016	2015
Revenue	**1,717**	1,982
Total operating expenses	**(660)**	(751)
Operating profit	**40**	94
Net (loss) for the year	**(110)**	(100)
50% non-controlling interest in net (loss)	**(55)**	(50)
Total assets (excluding goodwill)	**2,221**	2,278
Total liabilities	**1,776**	1,745
Net assets	**445**	533
50% non-controlling interest in net assets	**223**	266
Consolidation adjustments	**(16)**	(12)
Total non-controlling interest	**207**	254
Dividends and advances paid to non-controlling interest	**67**	11
Net cash from operating activities	**366**	423
Net cash from (used in) investing activities	**(340)**	(435)
Net cash from (used in) financing activities	**(24)**	(25)
Exchange impact on cash and cash equivalents, net	**1**	(38)
Net (decrease) in cash and cash equivalents	**3**	(75)

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2. Joint ventures

Joint ventures are businesses over which Millicom exercises joint control as decisions over the relevant activities of each require unanimous consent of shareholders. Millicom determines the existence of joint control by reference to joint venture agreements, articles of association, structures and voting protocols of the Board of Directors of those ventures.

Our main joint ventures are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Latin America				
Comunicaciones Celulares S.A.	Guatemala	Mobile, MFS	**55**	55
Navega.com S.A.	Guatemala	Cable, DTH	**55**	55
Telefonica Celular S.A.	Honduras	Mobile, MFS	**66.7**	66.7
Navega S.A. de CV	Honduras	Cable, MFS	**66.7**	66.7

The carrying values of Millicom's investments in joint ventures was as follows:

Carrying value of investments in joint ventures at 31 December (US$ millions)	%	2016	2015
Honduras operations[(i)]	66.7	**766**	983
Guatemala operations[(i)]	55	**2,179**	2,237
Total		**2,945**	3,220

(i) Includes all the companies under the Honduras and Guatemala groups.

The table below summarizes the movements for the year in respect of the Group's joint ventures carrying values:

US$ millions	2016 Guatemala	2016 Honduras
Opening balance at 1 January 2016	**2,237**	**983**
Results for the year	**106**	**9**
Dividends declared during the year	**(166)**	**(178)**
Currency exchange differences	**2**	**(48)**
Closing balance at 31 December 2016	**2,179**	**766**

At 31 December 2016 and 2015 the Group had not incurred obligations, nor made payments on behalf of Guatemala or Honduras operations.

A.2.1. Accounting for joint ventures

Joint ventures are accounted for using the equity method of accounting and are initially recognized at cost (i.e. fair value at the time of deconsolidation for investments in Honduras and Guatemala). The Group's investments in joint ventures include goodwill (net of any accumulated impairment loss) on acquisition.

The Group's share of post-acquisition profits or losses of joint ventures is recognized in the consolidated income statement under "Income from joint ventures, net" and its share of post-acquisition movements in reserves is recognized in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the joint ventures.

Gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in joint ventures are recognized in the income statement.

After application of the equity method, including recognizing the joint venture's losses, the Group applies IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to its net investment in the joint venture.

A.2.2. Honduras and Guatemala operations deconsolidation

Effective 1 July 2010 (Honduras) and 1 January 2014 (Guatemala), Millicom reached agreements with its respective local partners whereby the local partners granted Millicom an unconditional call option for a duration of five years (Honduras) and two years (Guatemala) for their respective stakes in its Honduras and Guatemala operations. At the same time, and as a consideration for the call options, Millicom granted put options for the same duration to its local partners. The put options were exercisable on a change of control of Millicom International Cellular S.A., or Millicom's subsidiaries that hold the shares in the Honduras and Guatemala operations.

On 19 June 2015 Millicom reached an agreement with its local partner to extend Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business until 31 December 2015 and in return extended the local partners conditional put option over the 33.3% stake. All other terms and conditions of the put and call options remained unchanged.

Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business, as extended by six months from 1 July 2015 expired unexercised on 31 December 2015, and accordingly the Honduran business was deconsolidated from 31 December 2015.

Similarly, Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired unexercised on 31 December 2015 and, accordingly, the Guatemala business was deconsolidated from 31 December 2015.

At the same time, the conditional put options Millicom provided to the other shareholders also lapsed.

As a consequence, on 31 December 2015, Millicom deconsolidated its investments in Honduras and Guatemala operations and accounted for them under the equity method, initially at fair value of respectively US$2.2 billion for Guatemala and US$1.0 billion for Honduras, resulting in a loss on the deconsolidation of these businesses amounting to US$391 million, including recycling of foreign currency exchange losses accumulated in equity of US$192 million, which was recorded under "Other non-operating income (expenses), net". The fair values of Honduras and Guatemala operations were determined based on a discounted cash flow calculation.

As from 31 December 2015 onwards, Millicom therefore jointly controls the Honduras and Guatemala operations and accounts for its investments in these operations under the equity method and reports its share of the net income of each of these businesses in the income statement in the caption "Income (loss) from joint ventures, net" since 1 January 2016.

Lapse of the put options for both operations resulted in the extinguishment of both put option liabilities amounting to US$2,135 million on 31 December 2015. The carrying values of both liabilities have been settled against the put option reserve within equity for US$2,512 million (amount recognized at inception) and against retained profits for the residual difference of US$(377) million as of 31 December 2015.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

Summarized financial information for the years ended 31 December 2016 and 2015 of the Guatemala and Honduras operations is as follows. This information is based on amounts before inter-company eliminations.

Guatemala[i] (US$ millions)	2016	2015
Revenue	**1,284**	1,306
Cost of sales [ii]	**(252)**	(258)
Gross profit	**1,033**	1,048
Operating expenses	**(401)**	(396)
Depreciation and amortization	**(281)**	(232)
Other operating income (expenses), net [iii]	**(21)**	(1)
Operating profit	**330**	419
Financial income (expenses), net	**(73)**	(64)
Other non-operating income (expenses), net	**4**	—
Profit before taxes	**261**	355
Charge for taxes, net	**(67)**	(77)
Profit for the year	**194**	278
Net profit for the year attributable to Millicom	**106**	130
45% non-controlling interest in net profit	—	(125)
Consolidation adjustments	—	(23)
Non-controlling interest in net profit for Guatemala	—	(148)
Dividends and advances paid to Millicom	**77**	216
Total assets (excluding goodwill)	**3,077**	2,937
Total liabilities	**1,251**	1,289
Net assets	**1,826**	1,648
Net cash from operating activities	**438**	525
Net cash from (used in) investing activities	**(236)**	(658)
Net cash from (used in) financing activities	**(65)**	195
Exchange impact on cash and cash equivalents, net	**(3)**	1
Net increase in cash and cash equivalents	**134**	63

(i) Includes all operations under the combined Guatemala group.
(ii) Include a provision for impairment of $24 million (2015: $18 million) related to the video surveillance contracts with the Civil National Police. No revenue has been recognised from the contracts from 1 July 2016.
(iii) Include an impairment of $18 million on the fixed assets bought in the context of the video surveillance contracts.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

Honduras[(i)] (US$ millions)	2016	2015
Revenue	**609**	649
Cost of sales	**(142)**	(159)
Gross profit	**467**	490
Operating expenses	**(249)**	(207)
Depreciation and amortization	**(160)**	(124)
Other operating income (expenses), net	**(3)**	—
Operating profit	**54**	159
Financial income (expenses), net	**(27)**	(22)
Other non-operating income (expenses), net	**(14)**	(45)
Profit before taxes	**13**	92
Charge for taxes, net	—	(51)
Profit for the year	**13**	41
Net profit for the year attributable to Millicom	**9**	21
33.33% non-controlling interest in net profit	—	(14)
Consolidation adjustments	—	(6)
Non-controlling interest in net profit for Honduras	—	(20)
Dividends and advances paid to Millicom	**66**	42
Total assets (excluding goodwill)	**902**	950
Total liabilities	**691**	625
Net assets	**210**	325
Net cash from operating activities	**85**	175
Net cash from (used in) investing activities	**(17)**	(180)
Net cash from (used in) financing activities	**(69)**	6
Net (decrease) increase in cash and cash equivalents	**(1)**	1

(i) Includes all operations under the combined Honduras group.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

The Group's key results and cash flows, excluding Guatemala and Honduras entities, would have been as follows for the year ended 31 December 2015:

Summary Group income statement, financial position and cash flows with Guatemala and Honduras operations as joint ventures (US$ millions)	2016	2015
Revenue	**4,374**	4,616
Cost of sales	**(1,279)**	(1,376)
Gross profit	**3,096**	3,241
Operating expenses	**(1,781)**	(1,987)
Depreciation and amortization	**(928)**	(926)
Other operating expenses	**(20)**	(63)
Share of net profit in Guatemala and Honduras operations	**115**	151
Operating profit	**482**	416
Net financial expense	**(372)**	(318)
Other non-operating income (expenses), net	**10**	(578)
(Loss) income from joint ventures and associates, net	**(49)**	100
Profit (loss) before taxes	**71**	(379)
Charge for taxes, net	**(180)**	(150)
Loss for the year	**(109)**	(529)
Profit (loss) for the year from discontinued operations, net of tax	**19**	(83)
Non-controlling interests	**58**	53
Net profit (loss) for the year attributable to Millicom	**(32)**	(559)
Total assets	**9,627**	10,395
Total liabilities	**6,258**	6,667
Net assets	**3,368**	3,728
Net cash from operating activities	**878**	951
Net cash from (used in) investing activities	**(552)**	(406)
Net cash from (used in) financing activities	**(441)**	(285)
Exchange impact on cash and cash equivalents, net	**(8)**	(82)
Net (decrease) increase in cash and cash equivalents	**(123)**	178

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

The assets and liabilities of the Guatemala and Honduras operations on 31 December 2016 and 2015 are as follows:

Summary statements of financial position of Guatemala and Honduras operations (US$ millions)	2016		2015	
	Guatemala	**Honduras**	Guatemala	Honduras
Assets				
Intangible assets, net (excluding goodwill)	**1,440**	**213**	1,253	204
Property, plant and equipment, net	**717**	**429**	710	320
Other non-current assets	**2**	**1**	2	1
Deferred taxes	**8**	**—**	4	—
Inventories	**14**	**6**	22	10
Trade receivables	**56**	**37**	58	35
Prepayments	**32**	**6**	37	7
Amounts due from related parties	**466**	**184**	639	351
Supplier advances	**24**	**—**	31	1
Other current assets	**24**	**4**	22	8
Restricted cash	**4**	**7**	4	—
Cash and cash equivalents	**289**	**13**	155	13
Total assets	**3,077**	**902**	2,937	950
Liabilities				
Debt and financing	**988**	**402**	984	391
Deferred tax liabilities	**4**	**98**	2	60
Other non-current liabilities	**48**	**18**	26	11
Payables and accruals for capital expenditure	**55**	**35**	66	23
Other trade payables	**12**	**12**	40	10
Amounts due to related parties	**12**	**7**	20	11
Other current provisions and liabilities	**132**	**120**	150	119
Total liabilities	**1,251**	**691**	1,289	625
Net assets	**1,826**	**210**	1,648	325

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.3. Purchase price allocation for Honduras and Guatemala

In 2016, the Group had completed the purchase price allocations for both the Guatemala and Honduras operations as of 31 December 2015, the date of recognition of the Group's investment in both operations as joint ventures. For the purchase accounting, Millicom determined the fair values of these operations based on discounted cash flows.

Guatemala – 31 December 2015 (US$ millions)	Carrying values 55%	Fair Values 55%	Change
Intangible assets (excluding goodwill), net(i)	689	905	216
Property, plant and equipment, net(ii)	390	409	19
Other non-current assets	3	3	—
Current assets (excluding cash)	446	446	—
Cash and cash equivalents	87	87	—
Total assets	**1,615**	**1,850**	**235**
Non-current financial liabilities	557	560	3
Current liabilities	152	152	—
Total liabilities	**709**	**712**	**3**
Carrying value/fair value of assets and liabilities, net	**906**	**1,137**	**231**
Fair value of the Group's investment in joint venture	—	2,237	—
Goodwill	**—**	**1,100**	**—**

(i) Intangible assets increase mainly consists of step-up recognized on the trademark for an amount of US$71 million, with indefinite useful life and the customer lists for an amount of US$148 million, with estimated remaining useful life of seven years.
(ii) Certain network and civil works assets were adjusted to their fair value for an amount of US$19 million.

Honduras – 31 December 2015 (US$ millions)	Carrying values 66.7%	Fair Values 66.7%	Change
Intangible assets (excluding goodwill), net(i)	136	200	64
Property, plant and equipment, net(ii)	213	307	94
Other non-current assets	1	1	—
Current assets (excluding cash)	274	274	—
Cash and cash equivalents	9	9	—
Total assets	**633**	**791**	**158**
Non-current financial liabilities	308	358	51
Current liabilities	109	109	—
Total liabilities	**417**	**467**	**51**
Carrying value/fair value of assets and liabilities, net	**216**	**324**	**107**
Fair value of the Group's investment in joint venture	—	983	—
Goodwill	**—**	**660**	**—**

(i) Intangible assets increase mainly consists of step-up recognized on the customer lists for an amount of US$64 million, with estimated remaining useful life between two and ten years.
(ii) Certain property, plant and equipment assets were adjusted to their fair value for an amount of US$94 million.

For the year ended 31 December 2016, the additional amortization related to the assets recognized as part of the purchase price allocation exercise (net of tax) amounted to US$22 million for Guatemala and US$19 million for Honduras, at Millicom's equity stake of which is recorded under the caption "Income from joint ventures, net".

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.4. Impairment of investment in joint ventures
While no impairment indicators were identified for the Group's investments in joint ventures in 2016, according to its policy, Management have completed an impairment test for its joint ventures in Guatemala and Honduras.

The impairment test in respect of the Group's investments in joint ventures (both equity and loans) is conducted on the same basis as for goodwill impairment test (see note E.1.6.). Group's investments in Guatemala and Honduras operations were tested for impairment by assessing their recoverable amount (using a value in use model based on discounted cash flows) against their carrying amounts. The cash flow projections used were extracted from financial budgets approved by Management and the Board covering a period of five years or more. Cash flows beyond this period have been extrapolated using a perpetual growth rate of 1.0%–2.0%. Discount rates used in determining recoverable amounts were 8.3% and 9.9%, respectively.

For the year ended 31 December 2016, and as a result of the impairment testing described above, Management concluded that none of the Group's investments in joint ventures should be impaired.

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing.

A.3. Investments in associates
Millicom's investments in associates mainly represent its shareholding in Helios Towers Africa Ltd (HTA) and its investments in the African and Latin American online businesses (AIH and LIH). Millicom has significant influence over these companies but not control or joint control.

Our main associates are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Africa				
Helios Towers Africa Ltd (HTA)[i]	Mauritius	Holding of Tower infrastructure company	**22.83**	28.25
Africa Internet Holding GmbH (AIH)[ii]	Germany	Online marketplace, retail and services	**10.15**	33.33
West Indian Ocean Cable Company Limited ("WIOCC")[iii]	Republic of Mauritius	Telecommunication carriers' carrier	**9.1**	9.1
Latin America				
MKC Brilliant Holding GmbH (LIH)	Germany	Online marketplace, retail and services	**35.0**	35.0
Unallocated				
Milvik AB	Sweden	Other	**26.75**	26.75

(i) On 7 October 2015, Millicom and HTA signed an agreement whereby Millicom owns 28.25% of shares in HTA (24.4% on a fully diluted basis) following a shareholding exchange. As a result, shares held by Millicom in HTA's tower companies in Ghana, DRC and Tanzania have been exchanged for shares in HTA (see note A.3.2.).
(ii) During 2015, Millicom ceased to jointly control AIH following changes in AIH shareholder rights. Hence AIH has been considered as an investment in associate as from 31 December 2015.
(iii) WIOCC was acquired as part of Zantel acquisition (see section A.1.2).

At 31 December 2016 the carrying value of Millicom's main associates was as follows:

Carrying value of investments in associates at 31 December (US$ millions)	2016	2015
MKC Brilliant Holding GmbH (LIH)	**55**	99
African Internet Holding GmbH (AIH)	**64**	36
Helios Tower Africa Ltd (HTA)	**189**	215
Milvik AB	**9**	12
West Indian Ocean Cable Company Limited (WIOCC)	**14**	13
Total	**331**	376

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for the year ended 31 December 2016 – continued

A.3. Investments in associates – continued

The summarized financial information for the Group's main material associates is provided below.

Summary of statement of financial position of associates at 31 December (US$ millions)	**2016**	2015
Total current assets	**458**	400
Total non-current assets	**938**	1,427
Total assets	**1,395**	1,827
Total current liabilities	**585**	252
Total non-current liabilities	**335**	530
Total liabilities	**920**	782
Total net assets	**475**	1,045
Millicom's carrying value of its investment in associates	**331**	376

Share of net profit (loss) from associates (US$ millions)	**2016**	2015
Revenue	**463**	237
Operating expenses	**(329)**	(420)
Operating profit (loss)	**(172)**	(183)
Net profit (loss) for the year/investment period	**(257)**	(143)
Millicom's share of results from associates	**(49)**	(47)

A.3.1. Accounting for investments in associates

The Group accounts for associates in the same way as it accounts for joint ventures.

A.3.2. Acquisitions and disposals of interests in associates

Africa Internet Holding GmbH (AIH)

AIH indirectly owns a number of companies that provide online services and online marketplaces in certain countries in Africa mainly under the brand name of Jumia.

Changes in ownership and accounting for AIH

Various shareholder funding rounds were signed in late 2015 and in 2016. Millicom did not participate and therefore maintained its initial investment at EUR70 million. In addition, during June 2016, there was a capital restructuring whereby all investors rolled up into AIH. During 2016, these transactions have all been duly executed and as a result Millicom's shareholding in AIH has been reduced to 10%. This has triggered the recognition of a net dilution gain of US$43 million in the Group income statement under "Income (loss) from associates, net".

Additionally, following the changes in AIH governance which took place in 2015 and as foreseen in the shareholders' agreement, Millicom lost its joint control but retains a significant influence over AIH – Millicom keeps one Board representative who will continue to participate in the decision making process of AIH. Therefore, at 31 December 2015 and 2016, the investment in AIH is accounted for as an associate using the equity method of accounting.

Millicom investment in African towers company, Helios Towers Africa

On 7 October 2015, Millicom and Helios Towers Africa ("HTA") signed an agreement whereby Millicom owns 28.2% of shares in HTA (24% on a fully diluted basis) following a shareholding exchange.

Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains significant influence over HTA.

This transaction simplified the share ownership structure of HTA, aligned interest among shareholders and moved Millicom's shareholding to the parent company of HTA. The exchange of shares, which has commercial substance in accordance with IAS 28 and IAS 16, has resulted in the Group recognizing its investment in HTA at fair value and hence a gain on disposal of its investments in the different tower companies of US$147 million under "Income (loss) from joint ventures and associates, net".

During 2016, Millicom's shareholding has been diluted from 28.2% to 22.8% as a result of previous committed cash calls and new investors' funding. This has resulted in Millicom recognizing a gain on dilution of US$16 million. The gain has been recorded in the Group income statement under "Income (loss) from associates, net".

A.3.2. Acquisitions and disposals of interests in associates – continued

Latin America Internet Holding GmbH (LIH)

During 2015, LIH contributed its investments in its operating subsidiaries Kanui and Tricae to Global Fashion Group in a share for share transaction, recognizing a net gain of US$11 million (Millicom's share). Global Fashion Group is partly owned by Rocket Internet and Kinnevik. LIH's shareholding in Global Fashion Group was determined from the relative value of Kanui and Tricae and the post-merger value of Global Fashion Group.

During March 2015, LIH disposed of its interest in HelloFood and LIH declared a US$6 million dividend to Millicom, which had been received by 31 December 2015.

During 2016, Millicom's 35% investment in LIH has been impaired by US$40 million mainly as a result of the drop in fair value of LIH's investment in the Global Fashion Group.

A.4. Discontinued operations

A.4.1. Classification of discontinued operations

Discontinued operations are those which have identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic area which has been disposed of, or are held for sale. Revenue and expenses associated with discontinued operations are presented retrospectively in a separate line in the consolidated income statement. Millicom considers that the loss of path to control of operations by the termination of a contractual arrangement (e.g. termination without exercise of an unconditional call option agreement giving path to control) does not require presentation as a discontinued operation.

A.4.2. Millicom's discontinued operations

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. For further details, refer to note E.3.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B. Performance

B.1. Revenue

Millicom's revenue comprises sale of services from its mobile, cable & digital media, and Mobile Financial Services businesses, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, TV services, B2B contracts, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by business unit (US$ millions)	2016	2015
Mobile	**2,505**	4,226
Cable & Digital Media	**1,398**	1,582
Mobile Financial Services	**129**	123
Telephone and equipment and other	**342**	641
Total	**4,374**	6,572

Revenue from continuing operations by country or operation (US$ millions)	2016	2015
Colombia	**1,717**	1,982
Guatemala	**—**	1,306
Paraguay	**623**	673
Honduras	**—**	649
Bolivia	**542**	531
El Salvador	**425**	448
Tanzania	**347**	358
Chad	**166**	152
Costa Rica	**152**	151
Ghana	**142**	135
Other countries[(i)]	**260**	187
Total	**4,374**	6,572

(i) Including Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.1.1. Accounting for revenue

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of good and services, net of value added tax, rebates and discounts and after eliminating intra-group sales. Generally, this is the value of the invoice to the customer.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Generally, this occurs when the service has been provided to the customer, or when the related equipment is delivered or passed to the customer.

Recurring revenue is recognized on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime and data usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription product and service revenue is deferred and recognized over subscription period. Related costs are deferred and recognized over the same period.

Where customers purchase a specified amount of airtime or other credit in advance, revenue is recognized as the credit is used. Unused credit is carried in the statement of financial position as deferred revenue within "other current liabilities".

Revenue from the sale of handsets and accessories are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Bundled offers such as various services sold together, are divided into separate units of accounting if the products and services in the bundle meet certain criteria. The price paid by the customer is then allocated among the separate products and services based on their relative fair values or using the residual method. Revenue is then recognized separately for each product and service.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.1.1. Accounting for revenue – continued

Revenue from content services such as video messaging, ringtones, games, music, eBooks etc., are recognized net of payments to the content providers under certain conditions. These include whether the providers are responsible for the content, determining the price paid by the customer, and where the provider assumes the credit risk. For such services the Group is considered to be acting in substance as an agent. Other revenue is recognized on a gross basis with any third party costs recognized as cost of sales and services.

Revenue from provision of Mobile Financial Services is recognized once the primary service has been provided to the customer.

Revenue from the sale of cables, fiber, wavelength or capacity contracts, when part of the ordinary activities of the operation, is recognized as recurring revenue. Revenue is recognized when the capacity has been delivered to the customer, based on the amount expected to be received from the customer.

Revenue from operating lease of tower space is recognized over the period of the underlying lease contracts. Finance leases revenue is apportioned between lease of tower space and interest income.

B.2. Expenses

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales (US$ millions)	**2016**	2015[(i)]
Direct costs of services sold	**(953)**	(1,153)
Cost of telephone, equipment and other accessories	**(261)**	(501)
Bad debt and obsolescence costs	**(65)**	(139)
Cost of sales	**(1,279)**	(1,793)

Operating expenses, net (US$ millions)	**2016**	2015[(i)]
Marketing expenses	**(528)**	(802)
Network maintenance costs	**(231)**	(334)
Employee related costs (B.4.)	**(483)**	(634)
External and other services	**(232)**	(335)
Rentals and operating leases	**(135)**	(191)
Other operating expenses	**(217)**	(299)
Other operating income	**45**	5
Operating expenses, net	**(1,781)**	(2,590)

(i) Included Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.2.1. Accounting for cost of sales and operating expenses

Cost of sales

Cost of sales is recorded on an accrual basis.

Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to marketing expenses when the customer is activated.

Operating leases

Operating leases are all leases that do not qualify as finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.3. Segmental information

Management determines operating and reportable segments based on the reports that are used by the Chief Operating Decision Maker ("CODM") to make strategic and operational decisions from both a business and geographic perspective. The Group's risks and rates of return for its operations are predominantly affected by operating in different geographical regions. The Group has businesses in two main regions: Latin America and Africa (2015: three regions: Central and South America and Africa). In 2015, the Group reviewed the presentation of the segment information and introduced EBITDA as a key performance indicator reviewed by the CODM.

The deconsolidation of Honduras and Guatemala (note A.2.2.), did not impact our internal reporting for management purposes and therefore Honduras and Guatemala are still shown as fully consolidated in the Group's segmental reporting.

Year ended 31 December 2016 (US$ millions)	**Latin America**	**Africa**	**Unallo-cated**	**Total (a)**	**Guatemala and Honduras(v) (b)**	**Eliminations and transfers (c)**	**Subtotal (a)+(b)+(c)**	**Disc ops(vi)**	**Total**
Revenue	5,352	896	—	6,249	(1,875)	—	4,374	40	4,414
Operating profit (loss)	848	62	(150)	761	(394)	115	482	2	484
Add back: Depreciation and amortization	1,173	188	7	1,368	(440)	—	928	3	931
Income (loss) from joint ventures, net	—	—	—	—	—	(115)	(115)	—	(115)
Other operating income (expenses), net	42	7	(6)	43	(24)	—	20	—	20
EBITDA(i)	2,063	258	(148)	2,172	(858)	—	1,314	5	1,319
Capital expenditure(ii)	(886)	(159)	(6)	(1,051)					
Changes in working capital and others	37	(5)	(33)	(1)					
Taxes paid	(233)	(17)	(9)	(259)					
Operating Free Cash Flow(iii)	981	77	(197)	861					
Total Assets(iv)	10,386	1,406	1,357	11,883	(5,589)	3,332	9,627		
Total Liabilities	5,229	1,852	1,997	7,812	(1,942)	388	6,258		

Year ended 31 December 2015 (US$ millions)	Latin America	Africa	Unallo-cated	Total	Elimina-tions	Disc ops(vi)	Total
Revenue	5,740	829	3	6,572	—	158	6,730
Operating profit (loss)	1,109	(61)	(205)	843	—	(53)	791
Add back: Depreciation and amortization	1,087	190	4	1,281	—	40	1,321
Other operating income (expenses), net	7	54	3	64	—	2	66
EBITDA(i)	**2,204**	**184**	**(199)**	**2,188**	**—**	**(10)**	**2,178**
Capital expenditure(ii)	(950)	(181)	8	(1,123)			
Changes in working capital and others	18	(16)	77	79			
Taxes paid	(230)	(16)	(6)	(252)			
Operating Free Cash Flow(iii)	**1,041**	**(30)**	**(119)**	**892**			
Total Assets(iv)	10,566	1,979	2,044	14,589	(4,226)	—	10,398
Total Liabilities	5,128	2,279	2,769	10,176	(3,504)	—	6,670

(i) EBITDA is used by the management to monitor the segmental performance and for capital management. EBITDA is defined in the front section of the Annual Report.
(ii) Cash spent for capital expenditure excluding spectrum and licenses of US$39 million (2015: US$47 million).
(iii) Operating free cash flow by segment includes share-based compensation as a cash transaction.
(iv) Segment assets include goodwill and other intangible assets.
(v) Including eliminations for Guatemala and Honduras as reported in the Latin America segment.
(vi) See note E.3.2. DRC operations were part of the Africa segment.

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for the year ended 31 December 2016 – continued

B.4. People

Number of permanent employees	2016	2015
Continuing operations[(i)]	13,962	12,698
Guatemala and Honduras	4,023	3,093
Discontinued operations	—	165
Total	**17,985**	15,956

(i) Including Tigo Nicaragua. Emtelco headcount are excluded from this report and any internal reporting because their costs are classified as direct costs and not employee related costs.

(US$ millions)	Note	2016	2015[(i)]
Wages and salaries		(314)	(461)
Social security		(70)	(66)
Share based compensation	B.4.1.	(14)	(19)
Pension and other long-term benefit costs	B.4.3.	(6)	(20)
Other employee related costs		(79)	(67)
Total		**(483)**	(634)

(i) Including costs for the year for Guatemala and Honduras

B.4.1. Share based compensation

Millicom shares granted to management and key employee compensation includes share based compensation in the form of long-term share incentive plans. In 2015, Millicom issued four types of plans, a deferred share plan, a performance share plan, an executive share plan and the sign-on CEO share plan (which is a one-off plan). Up until 2015, Millicom had two types of plan, a future performance plan and a deferred share plan. Since 2016, Millicom has two types of plans, a performance share plan and a deferred share plan. The different plans are further detailed below.

Cost of share based compensation (US$ millions)	2016	2015
2013 incentive plans	—	2
2014 incentive plans	(1)	(6)
2015 incentive plans	(3)	(15)
2016 incentive plans	(10)	—
Total share based compensation	**(14)**	(19)

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.

Future Performance Share plan (valid until 2014 and replaced by the Performance Share Plan as from 2015)

For the future performance plan, participants earn the right to receive shares on the third anniversary of the grant date. The right and the number of shares that vest are conditional 50% based on Return on Capital Investment (ROIC) and 50% based on EPS and upon the participant remaining employed with Millicom at the vesting date. 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. At 31 December 2016, the 2014 future performance plan is vested.

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.

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B.4.1. Share based compensation – continued

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.

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.

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.

Assumptions and fair value of the shares under the TSR portion	Risk-free rate %	Dividend yield %	Share price volatility[i] %	Award term (years)	Share fair value (in US$)
Performance Share Plan 2016 (Relative TSR)	**(0.65)**	**3.49**	**30**	**2.61**	**43.35**
Performance Share Plan 2016 (Absolute TSR)	**(0.65)**	**3.49**	**30**	**2.61**	**45.94**
Performance Share Plan 2015	**(0.32)**	**2.78**	**23**	**2.57**	**32.87**
Executive Share Plan 2015 – Component A	**(0.32)**	**N/A**	**23**	**2.57**	**53.74**
Executive Share Plan 2015 – Component B	**(0.32)**	**N/A**	**23**	**2.57**	**29.53**

(i) Historical volatility retained was determined on the basis of a three-year historic average.

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B.4.1. Share based compensation – continued

The cost of the long-term incentive plans which are conditional on market conditions is calculated as follows:

Fair value (market value) of shares at grant date (as calculated above) x number of shares expected to vest.

The cost of these plans is recognized, together with a corresponding increase in equity (share compensation reserve), over the period in which the performance and/or employment conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. Adjustments are made to the expense recorded for forfeitures, mainly due to management and employees leaving Millicom. Non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. These are treated as vested regardless of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Plan awards and shares expected to vest (number of shares)	**2016 Plans**		2015 Plans				2014 Plans		2013 Plans	
	Perform-ance plan	**Deferred plan**	Perform-ance plan	Execu-tive plan	CEO plan	Deferred plan	Future plan	Deferred plan	Future plan	Deferred plan
Initial shares granted	**200,617**	**285,978**	98,137	40,664	77,344	237,620	164,015	219,767	173,586	208,979
Additional shares granted(i)	**—**	**1,338**	—	—	—	—	—	1,306	13,453	4,165
Total shares granted	**200,617**	**287,316**	98,137	40,664	77,344	237,620	164,015	221,073	187,039	213,144
Revision for forfeitures	**(10,331)**	**(26,222)**	(26,826)			(51,129)	(124,603)	(79,702)	(151,967)	(76,184)
Total before issuances	**190,286**	**261,094**	71,311	40,664	77,344	186,491	39,412	141,371	35,072	136,690
Shares issued in 2014	**—**	**—**	—	—	—	—	—	—	—	(31,977)
Shares issued in 2015	**—**	**—**	—	—	—	—	—	(32,555)	—	(25,889)
Shares issued in 2016	**(1,214)**	**(1,733)**	(771)		(25,781)	(38,745)	—	(25,508)	(35,072)	(79,094)
Performance conditions	**—**	**—**	—	—	—	—	—	—	—	—
Shares still expected to vest	**189,072**	**259,361**	70,540	40,664	51,563	147,746	39,412	83,308	n/a	n/a
Estimated cost over the vesting period (US$ millions)	**8**	**16**	4	2	6	15	5	16	n/a	n/a

(i) Additional shares granted include new joiners and/or consideration for the impact of special dividends paid in 2012.

B.4.2. Share options

Prior to 2006, Millicom granted options to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or director completing one to five years of service (the vesting period) and were exercisable starting from one year to five years from the grant date. Shares issued from exercise of share options have the same rights as common shares.

By 31 December 2015 all share options had been exercised. The cost of share options was recorded in the exercise periods (until and prior to 2011).

	2016		2015	
Movements in share options	**Average exercise price in US$ per share**	**Number of options**	Average exercise price in US$ per share	Number of options
Outstanding at beginning of the year	**—**	**—**	22.55	45,000
Expired or forfeited	**—**	**—**	—	—
Exercised	**—**	**—**		(45,000)
Outstanding and exercisable at end of year	**—**	**—**	—	—

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4.3. Pension and other long term employee benefit plans

Pension Plans

The pension plans apply to employees who meet certain criteria (including years of service, age and participation in collective agreements).

Pension and other similar employee related obligations can result from either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. No further payment obligations exist once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using an appropriate discount rate based on maturities of the related pension liability.

Re-measurement of net defined benefit liabilities are recognized in other comprehensive income and not reclassified to the income statement in subsequent years.

Past service costs are recognized in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability.

Long-Service Plans

Long-service plans apply to employees with more than five years of service whereby additional bonuses are paid to employees that reach each incremental length of service milestone (from five to 40 years).

Termination Plans

The Group’s Colombian subsidiary UNE has a number of employee defined benefit plans. The level of benefits provided under the plans depends on collective employment agreements and Colombian labor regulations. There are no defined assets related to the plans, and UNE make payments to settle obligations under the plans out of available cash balances.

At 31 December 2016, the defined benefit obligation liability amounted to US$37 million (2015: US$37 million) and payments expected in the plans in future years totals US$86 million (2015: US$92 million). The average duration of the defined benefit obligation at 31 December 2016 is seven years (2015: eight years). The termination plans apply to employees that joined UNE prior to 30 December 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

Except for the UNE pension plan described above, there are no other significant defined benefits plans in the Group.

B.4.4. Directors’ and Executive Management

The remuneration of the members of the Board of Directors comprises an annual fee and shares. Director remuneration is proposed by the Nomination Committee and approved by the shareholders at the Annual General Meeting of Shareholders (the “AGM”).

Remuneration charge for the Board (gross of withholding tax) (US$ ’000)	**2016**	2015
Chairperson	**243**	180
Other members of the Board(i)	**900**	878
Total(ii)	**1,143**	1,058

(i) In addition, in 2015, US$62,700 (EUR 57,000) was paid to three directors for their work on the special committee.
(ii) Cash compensation converted from SEK to USD at exchange rates on payments dates each year. Share based compensation based on the market value of Millicom shares on the 2016 AGM date (in total 8,002 shares). Net remuneration comprised 50% in shares and 50% in cash (SEK) (2015: 38% in shares and 62% in cash).

Shares beneficially owned by the Directors (number of shares)	**2016**	2015
Chairperson	**3,000**	80,645
Other members of the Board	**24,316**	17,013
Total	**27,316**	97,658

The remuneration of executive management of Millicom comprises an annual base salary, an annual bonus, share based compensation, social security contributions, pension contributions and other benefits. Bonus and share based compensation plans (see note B.4.1.) are based on actual and future performance. Share based compensation is granted once a year by the Compensation Committee of the Board.

If the employment of Millicom’s senior executives is terminated, severance of up to 12 months’ salary is potentially payable.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4.4. Directors' and Executive Management – continued

The annual base salary and other benefits of the Chief Executive Officer ("CEO") and the Executive Vice Presidents ("Executive Team") is proposed by the Compensation Committee and approved by the Board.

Remuneration charge for the Executive Team (US$ '000)	**CEO**	**CFO**	**Executive Team (9 members)**
2016			
Base salary	**1,000**	**599**	**3,797**
Bonus	**660**	**450**	**1,411**
Pension	**150**	**82**	**513**
Other benefits	**48**	**18**	**720**
Termination benefits	**—**	**—**	**—**
Total before share based compensation	**1,858**	**1,149**	**6,441**
Share based compensation(i)(ii) in respect of 2016 LTIP	**2,660**	**1,481**	**4,031**
Total	**4,518**	**2,630**	**10,472**

Remuneration charge for the Executive Team (US$ '000)	CEO	Former CEO	CFO	Executive Team (10 members)
2015				
Base salary	750	304	989	3,721
Bonus	1,006	—	1,206	1,870
Pension	113	—	95	671
Other benefits	11	—	14	1,085
Termination benefits	—	2,854	—	682
Total before share based compensation	1,880	3,158	2,304	8,029
Share based compensation(i)(ii) in respect of 2015 LTIP	7,501	—	1,051	3,823
Total	9,381	3,158	3,355	11,852

(i) See note B.4.1.
(ii) Share awards of 49,171 and 104,573 were granted in 2016 under the 2016 LTIPs to the CEO, and Executive Team (2015: 104,800 and 64,930, respectively).

Shares and unvested share awards beneficially owned by the Executive Team (number of shares)	**CEO**	**Executive Team**	**Total**
2016			
Shares	27,020	34,472	61,492
Share awards not vested	114,739	173,399	288,138
2015			
Shares	—	11,714	11,714
Share awards not vested	104,008	82,823	186,831

B.5. Other non-operating (expenses) income, net

Non-operating items mainly comprise changes in values of options, derivatives and the impact of foreign exchange fluctuations on results of the Group.

US$ millions	**Year ended 31 December 2016**	Year ended 31 December 2015
Change in carrying value / lapse of put options (see note C.6.3.)	—	125
Change in carrying value / lapse of call options (see note C.6.3.)	—	(71)
Change in fair value of derivatives (see note D.1.2.)	**3**	32
Exchange gain (loss), net	**16**	(304)
Loss on deconsolidation of Honduras and Guatemala, including recycling of foreign currency exchange losses accumulated in equity (see note A.2.2.)	—	(391)
Other non-operating income (expenses), net	**(8)**	(15)
Total	**10**	(624)

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.5. Other non-operating (expenses) income, net – continued

Foreign exchange gains and losses

Transactions denominated in a currency other than the functional currency are translated into the functional currency using exchange rates prevailing on transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and on translation of monetary assets and liabilities denominated in currencies other than the functional currency at year-end exchange rates, are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

B.6. Taxation

B.6.1. Income tax expense

Tax mainly comprises income taxes of subsidiaries and withholding taxes on intragroup dividends and royalties for use of Millicom trademarks and brands. Millicom operations are in jurisdictions with income tax rates of 10% to 40% levied on either revenue or profit before income tax (2015: 10% to 40%). Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement.

Income tax charge (US$ millions)	2016	2015
Income tax (charge) credit		
Withholding tax	**(44)**	(76)
Other income tax relating to the current year	**(73)**	(201)
	(117)	(277)
Adjustments in respect of prior years	**(27)**	6
	(144)	(271)
Deferred tax (charge) credit		
Origination and reversal of temporary differences	**53**	142
Effect of change in tax rates	**1**	(14)
	54	128
(Increase) decrease in unrecognized deferred tax assets	**(97)**	(126)
	(43)	2
Adjustments in respect of prior years	**7**	(9)
	(36)	(7)
Tax (charge) credit on continuing operations	**(180)**	(278)
Tax (charge) credit on discontinuing operations	**6**	(13)
Total tax (charge) credit	**(174)**	(291)

Reconciliation between the tax expense and tax at the weighted average statutory tax rate is as follows:

Income tax calculation (US$ millions)	2016 Continuing operations	2016 Discont'd operations	2016 Total	2015 Continuing operations	2015 Discont'd operations	2015 Total
Profit before tax	**71**	**13**	**84**	(83)	(70)	(153)
Tax at the weighted average statutory rate	**19**	**(4)**	**15**	62	24	86
Effect of:						
Items taxed at a different rate	**14**	—	**14**	21	—	21
Change in tax rates on deferred tax balances	**1**	—	**1**	(15)	—	(15)
Expenditure not deductible and income not taxable	**(66)**	**9**	**(57)**	(234)	(7)	(241)
Unrelieved withholding tax	**(44)**	—	**(44)**	(76)	—	(76)
Accounting for associates and joint ventures	**29**	—	**29**	23	—	23
Movement in deferred tax on unremitted earnings	**(16)**	—	**(16)**	7	—	7
Unrecognized deferred tax assets	**(115)**	**(5)**	**(120)**	(127)	(30)	(157)
Recognition of previously unrecognized deferred tax assets	**18**	—	**18**	64	—	64
Adjustments in respect of prior years	**(20)**	**6**	**(14)**	(3)	—	(3)
Total tax (charge) credit	**(180)**	**6**	**(174)**	(278)	(13)	(291)
Weighted average statutory tax rate	**26.8%**		**17.9%**	74.7%		56.2%
Effective tax rate	**253.5%**		**207.1%**	334.9%		190.2%

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.6.2. Current tax assets and liabilities

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

B.6.3. Deferred tax

Deferred tax is calculated using the liability method on temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting, nor taxable profit or loss.

Deferred tax assets are recognized for all temporary differences including unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except where the deferred tax assets relate to deductible temporary differences from initial recognition of an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither accounting, nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize them. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent it is probable that future taxable profit will enable the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to apply in the year when the assets are realized or liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Deferred tax assets and deferred tax liabilities are offset where legally enforceable set off rights exist and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax (US$ millions)(i)	Fixed assets	Unused tax losses	Unremitted earnings	Other	Offset	Total
Balance at 1 January 2015	**(140)**	**153**	**(23)**	**120**		**110**
Acquisitions	—	—	—	—		—
Effect of deconsolidation	55	—	—	2		57
Adjustments to goodwill	(22)	22	—	—		—
(Charge)/credit to income statement	38	(45)	6	(6)		(7)
(Charge)/credit to other comprehensive income	—	—	—	—		—
Exchange differences	22	(21)	1	(24)		(22)
	(47)	109	(16)	92		138
Deferred tax assets	81	109	—	108	(110)	188
Deferred tax liabilities	(128)	—	(16)	(16)	110	(50)
Balance at 31 December 2015	**(47)**	**109**	**(16)**	**92**	**—**	**138**
Acquisitions	—	—	—	—		—
Transfers to Assets Held for Sale	(1)	—	—	—		(1)
(Charge)/credit to income statement	24	3	(16)	(47)		(36)
(Charge)/credit to other comprehensive income	—	—	—	1		1
Exchange differences	1	1	—	5		7
	(23)	113	(32)	51		109
Deferred tax assets	84	113	—	65	(96)	166
Deferred tax liabilities	(107)	—	(32)	(14)	96	(57)
Balance at 31 December 2016	**(23)**	**113**	**(32)**	**51**	—	**109**

(i) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.6.3. Deferred tax – continued

The Group historically recognized a deferred tax asset of US$70 million on the tax losses of the Company. Based on re-assessment made during 2015, management concluded that the deferred tax asset can no longer be supported and it has been reversed late 2015. There is no cash tax impact and this treatment does not impact the availability of the tax losses in the future.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deductible temporary differences (US$ millions)	Fixed assets	Unused tax losses	Other	Total
At 31 December 2016	**68**	**4,501**	**190**	**4,759**
At 31 December 2015	77	2,636	60	2,773

Unrecognized loss carryforwards expire as follows:

Unrecognized tax losses related to continuing operations (US$ millions)	2016	2015
Expiry:		
Within one year	**27**	152
Within one to five years	**493**	282
No expiry	**3,981**	2,202
Total	**4,501**	2,636

At 31 December 2016, Millicom had US$1,696 million of unremitted earnings of Millicom operating subsidiaries for which no deferred tax liabilities were recognized (2015: US$921 million). Except for intragroup dividends to be paid out of 2016 profits in 2017 for which deferred tax of US$32m has been provided, it is anticipated that intragroup dividends paid in future periods will be made out of profits of future periods.

B.7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of dilutive potential shares.

Net profit/(loss) used in the earnings per share computation (US$ millions)	2016	2015
Basic and diluted:		
Net profit/(loss) attributable to equity holders from continuing operations	**(51)**	(476)
Net profit/(loss) attributable to equity holders from discontinued operations	**19**	(83)
Net profit/(loss) attributable to all equity holders to determine the basic earnings per share	**(32)**	(559)

Weighted average number of shares in the earnings per share computation (thousands of shares)	2016	2015
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**100,337**	100,144
Potential incremental shares as a result of share options	**—**	10
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**100,337**	100,154

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C. Capital structure and financing

C.1. Share capital, share premium and reserves

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases the Company's share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity holders until the shares are canceled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Share capital, share premium	2016	2015
Authorized and registered share capital (number of shares)	**133,333,200**	133,333,200
Subscribed and fully paid up share capital (number of shares)	**101,739,217**	101,739,217
Par value per share	**US$1.50**	US$1.50
Share capital (US$ millions)	**153**	153
Share premium (US$ millions)	**485**	486
Total (US$ millions)	**638**	639

Other equity reserves (US$ millions)	Legal reserve	Equity settled transaction reserve	Hedge reserve	Currency translation reserve	Pension obligation reserve	Total
As of 31 December 2014	16	44	2	(453)	1	(389)
Share based compensation	—	19	—	—	—	19
Issuance of shares – 2012, 2013, 2014 LTIPs	—	(18)	—	—	—	(18)
Remeasurements of post-employment benefit obligations	—	—	—	—	—	—
Cash flow hedge reserve movement	—	—	(3)	—	—	(3)
Effect of deconsolidation (see note A.2.2.)	—	—	—	192	—	192
Currency translation movement	—	—	—	(332)	—	(332)
As of 31 December 2015	16	46	(1)	(593)	1	(531)
Share based compensation	—	14	—	—	—	14
Issuance of shares – 2013, 2014, 2015 LTIPs	—	(17)	—	—	—	(17)
Remeasurements of post-employment benefit obligations	—	—	—	—	(2)	(2)
Cash flow hedge reserve movement	—	—	(3)	—	—	(3)
Currency translation movement	—	—	—	(23)	—	(23)
As of 31 December 2016	**16**	**43**	**(4)**	**(616)**	**(1)**	**(562)**

C.1.1. Legal reserve

If Millicom International Cellular S.A. reports an annual net profit on a non-consolidated basis, 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 issued share capital. This reserve is not available for dividend distribution. No appropriation was required in 2015 or 2016 as the 10% minimum level was reached in 2011 and maintained each subsequent year.

C.1.2. Equity settled transaction reserve

The cost of share options and LTIPs is recognized as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When the options are exercised their cost is transferred from the equity-settled transaction reserve to share capital and share premium. When shares under the LTIPs vest and are issued the corresponding reserve is transferred to share premium.

C.1.3. Hedge reserve

The effective portions of changes in value of cash flow hedges are recorded in the hedge reserve (see note C.1.).

C.1.4. Currency translation reserve

In the financial statements, the relevant captions in the statements of financial position of subsidiaries without US dollar functional currencies are translated to US dollars using the closing exchange rate. Income statements or income statement captions (included those of joint ventures and associates) are translated to US dollars at monthly average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from these translations.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.2. Dividend distributions

On 17 May 2016 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2015 was approved by the shareholders at the Annual General Meeting and distributed in May 2016.

On 15 May 2015 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2014 was approved by the shareholders at the Annual General Meeting and distributed in June 2015.

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations. At 31 December 2016, US$321 million (31 December 2015: US$384 million) of Millicom's retained profits represent statutory reserves that are unavailable to be distributed to owners of the Company.

C.3. Debt and financing

Debt and financing by type (US$ millions)	Note	2016	2015
Debt and financing due after more than one year			
Bonds	C.3.1.	**2,561**	2,630
Banks	C.3.2.	**940**	877
Finance leases	C.3.3.	**290**	327
Other financing		**95**	32
Total non-current financing		**3,886**	3,866
Less: portion payable within one year		**(65)**	(77)
Total non-current financing due after more than one year		**3,821**	3,789
Debt and financing due within one year			
Bonds	C.3.1.	—	46
Banks	C.3.2.	—	89
Finance leases	C.3.3.	**5**	9
Other financing		**10**	—
Total current debt and financing		**15**	144
Add: portion of non-current debt payable within one year		**65**	77
Total		**80**	221
Total debt and financing		**3,901**	4,010

Debt and financing by location (i) (US$ millions)	2016	2015
Millicom International Cellular S.A. (Luxembourg)	**1,747**	2,003
Colombia	**841**	660
Paraguay	**408**	412
Bolivia	**306**	253
Tanzania	**192**	214
Rwanda	**80**	131
Chad	**76**	109
Ghana	**54**	61
DRC	—	40
Senegal	**14**	17
Cable Central America	**92**	104
El Salvador	**89**	6
Total debt and financing	**3,901**	4,010

(i) No amounts appear in 2015 and 2016 for Guatemala and Honduras because of their deconsolidation.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

C.3. Debt and financing – continued

Debt and financings are initially recognized at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method or at fair value. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

C.3.1. Bond financing

Bond financing (US$ millions)	Note	Country	Maturity	Interest rate %	**2016**	2015
SEK Senior Unsecured Variable Rate Notes	(1)	Luxembourg	2017	STIBOR +3.5(i)	—	207
SEK Senior Unsecured Fixed Rate Notes	(1)	Luxembourg	2017	5.125	—	27
USD 4.75% Senior Notes	(2)	Luxembourg	2020	4.75	**333**	486
USD 6% Senior Notes	(3)	Luxembourg	2025	6	**495**	494
USD 6.625% Senior Notes	(4)	Luxembourg	2021	6.625	**652**	791
SEK Senior Unsecured Variable Rate Notes	(5)	Luxembourg	2019	STIBOR +3.3	**217**	—
USD 6.75% Senior Notes	(6)	Paraguay	2022	6.75	**296**	295
USD 6.875% Senior Notes(ii)	(7)	Guatemala	2024	6.875	**—**	—
BOB 4.75% Notes	(8)	Bolivia	2020	4.75	**112**	135
BOB 4.05% Notes	(8)	Bolivia	2020	4.05	**15**	15
BOB 4.85% Notes	(8)	Bolivia	2023	4.85	**85**	85
BOB 3.95% Notes	(8)	Bolivia	2024	3.95	**50**	—
BOB 4.30% Notes	(8)	Bolivia	2029	4.30	**25**	—
UNE Bond 1 (tranches A and B)	(9)	Colombia	2020	CPI + 5.10	**50**	47
UNE Bond 2 (tranches A and B)	(9)	Colombia	2016/2023	CPI + 3.70 / 4.80	**50**	94
UNE Bond 3 (tranche A)	(9)	Colombia	2024	9.35	**53**	—
UNE Bond 3 (tranche B)	(9)	Colombia	2026	CPI+4.15	**85**	—
UNE Bond 3 (tranche C)	(9)	Colombia	2036	CPI+4.89	**43**	—
Total bond financing					**2,561**	2,676

(i) STIBOR – Swedish Interbank Offered Rate.
(ii) No amounts appear in 2015 and 2016 for Guatemala because of their deconsolidation and classification as joint ventures.

(1) SEK Senior Unsecured Notes

On 30 October 2012 Millicom issued Senior Unsecured Floating Rate Notes of Swedish Krona ("SEK") 1.75 billion and Senior Unsecured Fixed Rate Notes of SEK 0.25 billion both repayable in five years. At the same time, Millicom entered into various cross currency interest rate swap contracts whereby Millicom will receive SEK and sell USD to hedge against exchange and interest rate fluctuations.

On 12 April 2016, Millicom offered to purchase for cash any and all of its SEK 250 million (approximately US$31 million) 5.125% Senior Unsecured Fixed Rate Notes due 2017 (the "Fixed Rate Notes") and its SEK 1.75 billion (approximately US$219 million) STIBOR +3.500% Senior Unsecured Floating Rate Notes due 2017 (the "Floating Rate Notes", and together with the Fixed Rate Notes, the "Notes").

Following the early and regular tender offers, SEK 186 million (approximately US$23 million) and SEK 1.498 billion (approximately US$187 million) in aggregate principal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, have been repaid. Millicom has paid to such noteholders 105.8% and 102.8% of the nominal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, together with any accrued interest.

After settlement, SEK 64 million (approximately US$8 million) in aggregate principal amount of the Fixed Rate Notes (25.6%) and SEK252 million (approximately US$32 million) in aggregate principal amount of the Floating Rate Notes (14.4%) remained outstanding.

On 19 September 2016, the Group has notified holders of both Bonds of the early voluntary redemption of the notes in full. The outstanding notes totaling SEK 316 million (approximately US$40 million) of principal were redeemed in October 2016.

The total early redemption fees amounting to US$8 million have been recorded under interest expenses. The remaining US$1 million of related unamortized costs were also expensed during 2016.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.1. Bond financing – continued

(2) USD 4.75% Senior Notes

On 22 May 2013, Millicom issued a US$500 million fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations. Withheld costs of issuance of US$10 million and paid costs of US$9 million are amortized over the seven-year life of the notes (effective interest rate of 5.29%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/EBITDA.

In November 2016, MIC S.A. announced an offer to purchase for cash up to US$300 million of its 4.750% Senior Notes due 2020 and its 6.625% Senior Notes due 2021 (the "Notes"). In December 2016, the Company confirmed that it had accepted to purchase US$300 million in aggregate principal amount of the Notes of which US$158 million of its 4.750% Senior Notes due 2020. The early redemption fees amounting to US$3 million and US$3 million of related unamortized costs have been expensed in December 2016 under interest expenses.

(3) USD 6% Senior Notes

On 11 March 2015, Millicom issued a US$500 million 6% fixed interest rate bond repayable in ten 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%. US$7.2 million of withheld and upfront costs are being amortized over the ten-year life of the bond.

(4) USD 6.625% Senior Notes

On 16 October 2013, Millicom issued a US$800 million bond. The funds were used to finance the Colombian Merger (see note A.1.2.), and released from the escrow account prior to completion of the merger on 14 August 2014 (effective interest rate of 7.17%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/EBITDA.

As part of the offer for early redemption described in (2) above, the Company confirmed that it had accepted for purchase US$142 million of principal of its 6.625% Senior Notes due 2021. The early redemption fees amounting to US$8 million and US$2 million of related unamortized costs have been expensed in December 2016 under interest expenses.

(5) SEK Senior Unsecured Notes

On 21 April 2016, Millicom also completed the placing of a new SEK 2 billion (approximately US$250 million) 3-year floating rate bond in the Swedish market. The new bond has a floating rate coupon of three 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. US$2.5 million of withheld and upfront costs are being amortized over the three year life of the bond. The covenant is set at 3.0x Net Debt/EBITDA.

(6) USD 6.75% Senior Notes

On 7 December 2012, Telefónica Cellular del Paraguay S.A., Millicom's fully owned subsidiary in Paraguay issued US$300 million of notes at 100% of the aggregate principal amount. Distribution and other transaction fees of US$7 million reduced the total proceeds from issuance to US$293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on 13 June and 13 December. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of Telefónica Celular del Paraguay S.A. and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telefónica Celular del Paraguay S.A. The 6.75% Senior Notes are unguaranteed.

(7) USD 6.875% Senior Notes

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comcel for the purposes of the transaction, issued a bond to refinance existing local and MIC S.A. corporate debt. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. The bond is guaranteed by Comcel and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comcel entered into an US$800 million senior unsecured loan with a bank. The proceeds of the bond were used by Intertrust SPV to purchase a 100% participation interest in the loan pursuant to a credit and guarantee.

The loan agreements between Intertrust, the bank and Comcel remove any risk to the bank connected to the loans, and as such the Group has offset its asset against its liability towards the bank from the date of the agreement. Following the deconsolidation of Guatemala as of 31 December 2015, the asset and liability have both been deconsolidated at that date.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

C.3.1. Bond financing – continued

(8) BOB Notes

In May 2012, Telecel Bolivia issued Boliviano (BOB) 1.36 billion of notes repayable in installments until 2 April 2020. Distribution and other transaction fees of BOB 5 million reduced the total proceeds from issuance to BOB 1.32 billion (US$191 million). The bond has a 4.75% per annum coupon with interest payable semi-annually in arrears in May and November each year. The effective interest rate is 4.79%.

In November 2015, Telecel Bolivia issued BOB696 million (approximately US$100 million) of notes in two series, A for BOB104.4 million (approximately US$15 million), with a fixed annual interest rate of 4.05%, maturing in August 2020 and serie B for BOB591.6 million (approximately US$85 million) with a fixed annual interest rate of 4.85%, maturing in August 2023. The bond has coupon with interest payable semi-annually in arrears in March and September during the first two years, thereafter each February and August. The effective interest rate is 4.84%. In the placement, the final interest rate was reduced as Telecel Bolivia took advantage of strong demand for the bonds resulting in a reduction of the average interest rate to 4.55%. Telecel Bolivia received BOB4.59 million in excess of the BOB696 million issued (upfront premium).

On 11 August 2016, our operation in Bolivia issued a new bond for a total amount of BOB522 million consisting of two tranches (approximately US$50 million and US$25 million, respectively). Tranche A and B bear fixed interest at 3.95% and 4.30%, and will mature in June 2024 and June 2029, respectively.

(9) UNE Bonds

In March 2010, UNE issued a COP 300 billion (approximately US$126 million) five and ten-year bond consisting of two tranches. Interest rates are either fixed or variable depending on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in March 2015 and Tranche B will mature in March 2020.

In May 2011, UNE issued a COP 300 billion (approximately US$126 million) five and 12-year bond consisting of two equal tranches. Interest rates are variable and depend on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in October 2016 and Tranche B will mature in October 2023.

In May 2016, UNE issued a COP 540 billion bond (approximately US$176 million) consisting of three tranches (approximately US$52 million, US$83 million and US$41 million respectively). Interest rates are either fixed or variable depending on the tranche. Tranche A bears fixed interest at 9.35%, while Tranche B and C bear variable interest, based on CPI, (respective margins of CPI+4.15% and CPI+4.89%), in Colombian peso.

UNE applied the proceeds to finance its investment plan and repay one bond (COP150 billion tranche). Tranches A, B and C will mature in May 2024, May 2026 and May 2036, respectively.

USD 8% Senior Notes

On 23 September 2010, Telemóvil Finance Co. Ltd., issued US$450 million aggregate principal amount 8% Senior Notes due on 1 October 2017. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and were payable semi-annually in arrears on 1 April and 1 October.

On 18 March 2015 Millicom tendered an offer to early redeem the remaining US$311 million of the US$450 million bond issued by Telemovil Finance Co. Ltd in 2010 for US$323 million including an early redemption premium of US$12 million over the face value of the bonds. The repurchase was completed on 20 April 2015. The early redemption premium of US$12 million premium and US$4 million of related unamortized costs were expensed in 2015.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

C.3.2. Bank financing

Bank financing (US$ millions)	Country	Maturity	Interest rate %	2016	2015
Fixed rate loans					
Long-term loans	Paraguay	2020/2023	9	**103**	92
Variable rate loans					
USD Long-term loans	Costa Rica	2021	4 variable	**92**	104
USD Long-term loans	Chad	2019	4 variable	**7**	11
USD Long-term loans	Rwanda	2019	2.9 variable	**69**	119
USD Long-term loans	Tanzania (Zantel)	2020	4.1 variable	**99**	100
BOB Long-term loans	Bolivia	2019	6 variable	**1**	1
USD Short-term loans	Ghana	2018	3.5 variable	**40**	40
COP Long-term loans	Colombia (UNE)	2023/2025	10.4 variable[(i)]	**400**	381
USD Senior Unsecured Term Loan Facility	El Salvador	2021	LIBOR + 3.0	**50**	—
USD Credit Facility	El Salvador	2021	LIBOR + 2.25	**33**	—
Other Long-term loans	Various		Various	**46**	118
Total Bank financing				**940**	966

(i) IBR – Colombia Interbank Rate.

MIC S.A. revolving credit facility
In June 2014, MIC S.A. entered into a $500 million revolving credit facility with a consortium of banks (the "2014 RCF") of which $200 million (Facility A) is for a 2-year term and $300 million (Facility B) is for a 3-year term. In May 2015 both facilities were extended for one year. As of 31 December 2016, the facility was committed and fully undrawn.

In the fourth quarter of 2016, Millicom initiated the renegotiation of its Revolving Credit Facility which was partially maturing in June 2017. By year end 2016, having secured over $500 million of commitments from relationship banks through a refinancing process, the Group accelerated the amortization of the upfront costs incurred in relation with the 2014 RCF and totalling then $2 million.

On 30 January 2017, the Company announced the closing of a new $ 600 million, 5 years Revolving Credit Facility and notified the lenders in the 2014 RCF of the formal cancellation of the commitments outstanding under the 2014 RCF (none of which were drawn at such date).

Subject to the terms of the revolving credit facility, the maturity date of all or a portion of the amounts outstanding under the 2017 facility will be due in full in January 2022. Amounts drawn under the revolving credit facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the revolving credit facility agreement. Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%, provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the last twelve month (as measured on a quarterly basis) is within a specified range.

MIC S.A. term loan facility
In July 2016, MIC S.A. entered into a US$50 million term loan facility agreement, for which half will be repaid in 2018 and half in 2019. The facility bears variable interest rate at six-month LIBOR + 2.25% per annum.

El Salvador
On 15 April 2016, Telemovil El Salvador, S.A. de C.V. entered into a Senior Unsecured Term Loan Facility of US$50 million maturing in April 2021 and bearing variable interest at LIBOR + 3.0% per annum. This Facility is guaranteed by the Company.

On 6 June 2016, Telemovil El Salvador, S.A. de C.V. entered into a US$30 million Credit Facility for general corporate purposes maturing in June 2021 and bearing variable interest rate at LIBOR + 2.25% per annum. The Facility is repayable over different yearly installments until maturity and is guaranteed by the Company.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.2. Bank financing – continued

Right of set-off and derecognition

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Rights to receive cash flows from the asset have expired; or
- Rights to receive cash flows from the asset or obligations to pay the received cash flows in full without material delay have been transferred to a third party under a "pass-through" arrangement; and the Group has either transferred substantially all the risks and rewards of the asset or the control of the asset.

When rights to receive cash flows from an asset have been transferred or a pass-through arrangement concluded, an evaluation is made if and to what extent the risks and rewards of ownership have been retained. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay (see USD 6.875% Senior Notes in note C.3.1.).

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

In addition to the bank financing arrangements described above, as of 31 December 2016, a Millicom subsidiary has an agreement with a bank whereby the bank provided loans amounting to EUR134 million (2015: EUR134 million) to the Millicom subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank and entered into total return swaps. The total return swaps remove any risk of the banks connected to the loans, and as such Millicom has derecognized both its deposit asset and the loan liabilities from the date of the total return swap (see D.1.2.).

C.3.3. Finance leases

Millicom's finance leases mainly consist of long-term lease of tower space from tower companies or competitors on which Millicom locates its network equipment.

Finance lease liabilities

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. The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments.

Lease payments are allocated between finance charges (interest) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded as interest expenses in the income statement.

Finance lease liabilities (US$ millions)	Country	Maturity	**2016**	2015
Lease of tower space	Tanzania	2023	**78**	90
Lease of tower space	Colombia Movil	2023	**77**	66
Lease of tower space	DRC	2017/2023	**—**	40
Lease of tower space	Ghana	2023/2025	**14**	21
Lease of poles	Colombia (UNE)	2029	**83**	67
Other finance lease liabilities	various	various	**43**	52
Total finance lease liabilities			**295**	336

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.4. Guarantees and pledged assets

Guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized, less cumulative amortization.

Liabilities to which guarantees are related are recorded in the consolidated statement of financial position under the caption "Debt and financing" and liabilities covered by supplier guarantees are recorded under the caption "Trade payables" or "Debt and financing", depending on the underlying terms and conditions.

Maturity of guarantees (US$ millions)	At 31 December 2016		At 31 December 2015	
Term	Outstanding exposure(i)	Maximum exposure(ii)	Outstanding exposure(i)	Maximum exposure(ii)
0–1 year	**38**	**38**	100	100
1–3 years	**348**	**348**	143	143
3–5 years	**250**	**250**	393	393
More than 5 years	**4**	**4**	7	7
Total guarantees	**640**	**640**	643	643

(i) The outstanding exposure represents the carrying amount of the related liability at 31 December.
(ii) The maximum exposure represents the total amount of the Guarantee at 31 December.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit, or guarantees issued by the Company at 31 December 2016 was US$643 million (2015: US$646 million), out of this, assets pledged by the Group over this debt and financing at the same date amounted to US$3 million (2015: US$3 million). The remainder represented primarily guarantees issued by Millicom S.A. to guarantee financings raised by other Group operating entities.

C.3.5. Covenants

Millicom's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2016 there were no breaches in financial covenants.

C.4. Cash and deposits

C.4.1. Cash and cash equivalents

(US$ millions)	2016	2015
Cash and cash equivalents in USD	**411**	467
Cash and cash equivalents in other currencies	**235**	302
Total cash and cash equivalents	**646**	769

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash deposits with bank with maturities of more than three months that generally earn interest at market rates are classified as time deposits.

C.4.2. Restricted cash

(US$ millions)	2016	2015
Mobile Financial Services	**136**	134
Others	**9**	8
Restricted cash	**145**	142

Cash held with banks related to Mobile Financial Services which is restricted in use due to local regulations is denoted as restricted cash.

C.4.3. Pledged deposits

Pledged deposits represent contracted cash deposits with banks that are held as security for debts at corporate or operational entity level. Millicom is unable to access these funds until either the relevant debt is repaid or alternative security is arranged with the lender.

At 31 December 2016, there were no non-current pledged deposits (2015: US$nil).

At 31 December 2016, current pledged deposits amounted to US$3 million (2015: US$3 million).

C.5. Net debt

Net debt (US$ millions)	2016	2015
Total debt and financing	**3,901**	4,010
Less:		
Cash and cash equivalents	**(646)**	(769)
Restricted cash	**(145)**	(142)
Pledged deposits	**(3)**	(3)
Time deposits related to bank borrowings	**(2)**	(2)
Net debt at the end of the year	**3,105**	3,094
Add (less) derivatives related to debt (SEK currency swap)	**84**	65
Net debt including derivatives related to debt	**3,189**	3,159

C.6. Financial instruments

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial instruments that contain obligations to purchase own equity instruments

Contracts that contain obligations for the Company to purchase its own equity instruments for cash or other financial assets are initially recorded as financial liabilities, based on the present value of the redemption amounts with a corresponding reserve in equity. Subsequently, the carrying value of the liability is remeasured at the present value of the redemption amount with changes in carrying value recorded in other non-operating (expenses) income, net. If the contracts expire without delivery, the carrying amounts of the financial liabilities are reclassified to equity.

The put options that Millicom granted to its local shareholders in Honduras and Guatemala represented obligations to purchase the shares held by the local partners (see note C.6.3.).

Financial instruments that contain call options over non-controlling interests

Contracts over non-controlling interests that require gross cash settlement are also classified as equity instruments. Such call options are initially recognized at fair value and not subsequently remeasured. If a call option is exercised, this initial fair value is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, the fair value of the call option remains within equity.

Call option contracts over non-controlling interests that require net cash settlement or provide a choice of settlement are classified as financial assets. Contracts over non-controlling interests that require physical settlement of a variable number of own shares for a variable price are classified as financial assets and changes in the fair value are reported in the income statement. If such a call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, its carrying amount is expensed in the income statement.

The call options that Millicom obtained from its local shareholders in Honduras and Guatemala provided Millicom with control over the operations in those countries until 31 December 2015 and were classified as financial assets. Changes in the fair value of the call options were recorded in other non-operating (expenses) income, net.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.6. Financial instruments – continued

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value at each subsequent closing date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

For transactions designated and qualifying for hedge accounting, at the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. This is done in reference to the Group Financial Risk Management Policy as last updated and approved by the Audit Committee of October 2016. The Group also documents its assessment, both at hedge inception and on an ongoing basis (quarterly), of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging instrument is classified as a non-current asset or liability when the period to maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

The change in fair value of hedging instruments that are designed and qualify as fair value hedges is recognized in the income statement as finance costs or income. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement as finance costs or income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Gains or loss relating to any ineffective portion is recognized immediately in the income statement within "Other non-operating (expenses) income, net". Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recycled to the income statement within "Other non-operating (expenses) income, net".

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other non-operating (expenses) income, net".

C.6.1. Fair Value Measurement Hierarchy

Millicom uses the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade ratings. Interest rate swaps, foreign exchange forward contracts are valued using valuation techniques, which employ the use of markets observable data. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward curves.

Derivative financial instruments are measured with reference to Level 2, except for the call option in Honduras and in Guatemala (see note C.6.3.), which were measured with reference to Level 3. The fair value of the call option was determined by using an option pricing model (Monte Carlo simulation using the Longstaff Schwartz algorithm). The Honduras and Guatemala put option liabilities were carried at the present value of the redemption amount and were therefore excluded from the fair value hierarchy. No other financial instruments are measured at fair value.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.6.2. Fair value of financial instruments

The fair value of Millicom's financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of all financial assets and all financial liabilities except debt and financing approximate their carrying value largely due to the short-term maturities of these instruments. The fair values of all debt and financing have been estimated by the Group, based on discounted future cash flows at market interest rates.

Fair values of financial instruments at 31 December (US$ millions)[ii]	Note	Carrying value		Fair value[i]	
		2016	2015	**2016**	2015
Financial Assets					
Pledged deposits	C.4.3.	**—**	—	**—**	—
Derivative financial instruments		**32**	26	**32**	26
Other non-current assets		**72**	75	**72**	75
Trade receivables, net		**387**	398	**387**	398
Amounts due from non-controlling interests, associates and joint venture partners		**17**	16	**17**	16
Prepayments and accrued income		**171**	193	**171**	193
Supplier advances for capital expenditures		**23**	39	**23**	39
Other current assets		**110**	109	**110**	109
Restricted cash		**145**	142	**145**	142
Cash and cash equivalents		**646**	769	**646**	769
Total financial assets		**1,603**	1,765	**1,603**	1,765
Current		**1,499**	1,665	**1,499**	1,665
Non-current		**104**	101	**104**	101
Financial Liabilities					
Debt and financing[ii]	C.3.	**3,901**	4,010	**4,234**	3,872
Trade payables		**297**	334	**297**	334
Payables and accruals for capital expenditure		**326**	285	**326**	285
Derivative financial instruments		**84**	65	**84**	65
Amounts due to non-controlling interests, associates and joint venture partners		**386**	644	**386**	644
Accrued interest and other expenses		**376**	425	**376**	425
Other liabilities		**400**	352	**400**	352
Total financial liabilities		**5,770**	6,115	**6,103**	5,977
Current		**1,531**	2,125	**1,531**	2,125
Non-current		**4,239**	3,990	**4,572**	3,852

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2, except for call option asset which was measured during the year 2015 with reference to Level 3.
(ii) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

C.6.3. Call and put options

Honduras Call Option

For Celtel, the call option price was a fixed multiple of the EBITDA of Celtel. On 31 December 2015, Celtel's call option to acquire the remaining 33% of the Honduras business has expired unexercised and Celtel has been deconsolidated as a result. The fair value of the call option was immaterial. For further details, see note A.2.2.

Honduras Put Option

For Celtel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Celtel. The multiple is based on a change of control transaction multiple of Millicom. Management estimated the change of control transaction multiple of Millicom from a trading multiple of Millicom adding a control premium (based upon comparable transactions from the industry).

During the year 2015, Millicom recorded an income of US$117 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability. At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$456 million on 31 December 2015.

C.6.3. Call and put options – continued

Guatemala call option

For Comcel, the call option price was a fixed multiple of the EBITDA of Comcel, with a gold price index in the event that the gold price increased by more than 40%. Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired on 31 December 2015. Millicom's call option has therefore been derecognized at 31 December 2015. As a result, a total loss of US$71 million was recorded in 2015 under "other non-operating (expenses) income, net". For further details, see note A.2.2.

Guatemala put option

For Comcel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Comcel. The multiple was based on a change of control transaction multiple of Millicom. Management estimate the change of control transaction multiple of Millicom from a trading multiple of Millicom and add a control premium (based upon comparable transactions).

During the year 2015, Millicom recorded an income of US$8 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability.

At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$1,679 million on 31 December 2015.

D. Financial risk management

Exposure to interest rate, foreign currency, non-repatriation, liquidity, capital management and credit risks arise in the normal course of Millicom's business. Each year Group Treasury revisits and presents to the Audit committee updated Treasury and Financial Risks Management policies. The Group analyzes each of these financial risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its Financial Risk Management policy. These policies were last reviewed in September and October 2016. As part of the annual review of the above mentioned risks, the Group agrees to a strategy over the use of derivatives and natural hedging instruments ranging from raising debt in local currency (where the Company targets to reach 40% of debt in local currency over the medium term) to maintain a 70/30% mix between fix and floating rate debt or agreeing to cover up to six months forward of operating costs and capex denominated in non-functional currencies through a rolling and layering strategy. Millicom's risk management strategies may include the use of derivatives to the extent a market would exist in the jurisdictions where the Group operates. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Accounting policies for derivatives is further detailed in note C.6.

On 31 December 2016, fair value of derivatives held by the Group can be summarized as follows:.

Derivatives (US$ millions)	**2016**	2015
Cash flow hedge derivatives	**(84)**	(65)
Derivatives held for trading (on swaps on Euro denominated debt)	**32**	26
Net derivative asset (liability)	**(52)**	(39)

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed (up to 70%) and variable (up to 30%) rates. The Group actively monitors borrowings against this target. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2016, approximately 70% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates with interest rate swaps (2015: 68%).

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for the year ended 31 December 2016 – continued

D.1.1. Fixed and floating rate debt

Financing at 31 December 2016 (US$ millions)	Amounts due within:						
	1 year	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**>5 years**	**Total**
Fixed rate financing	**41**	**85**	**314**	**435**	**720**	**1,141**	**2,736**
Weighted average nominal interest rate	**7.52%**	**7.54%**	**5.41%**	**5.62%**	**7.11%**	**8.51%**	**7.28%**
Floating rate financing	**39**	**168**	**204**	**213**	**130**	**411**	**1,165**
Weighted average nominal interest rate	**4.20%**	**9.46%**	**3.63%**	**2.89%**	**1.21%**	**3.86%**	**3.16%**
Total	**80**	**252**	**518**	**649**	**850**	**1,552**	**3,901**
Weighted average nominal interest rate	**5.90%**	**8.81%**	**4.71%**	**4.72%**	**6.20%**	**7.28%**	**6.05%**

Financing at 31 December 2015 (US$ millions)	Amounts due within:						
	1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
Fixed rate financing	48	75	65	92	581	1,876	2,737
Weighted average nominal interest rate	9.17%	8.36%	9.56%	8.78%	5.44%	7.58%	7.26%
Floating rate financing	173	245	99	170	229	357	1,273
Weighted average nominal interest rate	4.97%	3.33%	4.16%	3.95%	5.66%	12.06%	5.08%
Total	221	320	164	262	810	2,233	4,010
Weighted average nominal interest rate	5.87%	4.51%	6.30%	5.64%	5.50%	7.93%	7.01%

A 100 basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2016 would increase or reduce profit before tax from continuing operations for the year by approximately US$12 million (2015: US$13 million).

D.1.2. Interest rate swap contracts

From time to time, Millicom enters into currency and interest rate swap contracts to manage its exposure to fluctuations in interest rates and currency fluctuations in accordance with its risk management policies. Details of these arrangements are provided below.

Interest rate and currency swaps on SEK denominated debt

As described in note C.3.1., the SEK Bonds have been fully redeemed during 2016. As a consequence, the Group has modified and extended the related interest rate and currency swaps until at least April 2018 and attached them to the new SEK Bond. The swaps are accounted for as a cash flow hedge as the timing and amounts of the cash flows under the swap agreements match the cash flows under the new SEK bond. The hedging relationship is highly effective and related fluctuations are recorded through other comprehensive income. At 31 December 2016, the fair values of the swaps amount to a liability of US$84 million (31 December 2015: a liability of US$65 million). These instruments are measured with reference to Level 2.

Interest rate and currency swaps on Euro 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 a seven-year Euro (EUR) 134 million principal and related interest financing of its operation in Senegal. At 31 December 2016, the fair value of the swap amounts to an asset of US$32 million (2015: an asset of US$26 million). This instrument is measured with reference to Level 2.

In July 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 a seven-year EUR41.5 million principal and related interest financing of its operation in Chad. In March 2015, the financing facility was repaid and the swap contracts terminated. A gain on the swap including termination of US$4 million was recorded in other non-operating income (expenses), net.

These financings are connected to the downstreaming of a portion of Millicom's 4.75% bond (see note C.3.1.). These hedges do not qualify for hedge accounting. Fluctuations in the value of those instruments are recorded through profit and loss. US$6 million of income was recorded from the fluctuations in fair value in 2016 (2015: US$32 million) in "other non-operating income (expenses), net".

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

D.2. Foreign currency risks

The Group is exposed to foreign exchange risk arising from various currency exposures in the countries in which it operates. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar reporting currency. In some cases, Millicom may also borrow in US dollars where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

D.2.1. Debt denominated in US$ and other currencies

Debt denomination at 31 December (US$ millions)	2016	2015
Debt denominated in US$	**2,266**	2,564
Debt denominated in currencies of the following countries:		
Colombia	**841**	660
Chad	**69**	94
Tanzania	**93**	94
Bolivia	**288**	236
Ghana	**13**	21
Paraguay	**103**	92
Luxembourg (SEK denominated)	**217**	234
Other	**11**	15
Total debt denominated in other currencies	**1,635**	1,446
Total debt	**3,901**	4,010

At 31 December 2016, if the US dollar had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by US$51 million and US$(63) million respectively (2015: US$29 million and US$35 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the US$-denominated debts in our operations with functional currencies other than the US dollar.

D.2.2. Foreign currency swaps

See note D.1.2. Interest rate swaps.

D.3. Non-repatriation risk

Most of Millicom's operating subsidiaries generate most of the revenue of the Group and in the currency of the countries in which they operate. Millicom is therefore dependent on the ability of its subsidiaries and joint venture operations to transfer funds to the Company.

Although foreign exchange controls exist in some of the countries in which Millicom Group companies operate, none of these controls currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where the Group operates, or foreign exchange controls may be introduced in countries where the Group operates that do not currently impose such restrictions. If such events were to occur, the Company's ability to receive funds from the operations could be subsequently restricted, which would impact the Company's ability to make payments on its interest and loans and, or pay dividends to its shareholders. As a policy, all operations which do not face restrictions to deposit funds offshore and in hard currencies should do so for the surplus cash generated on a weekly basis. The Company and its subsidiaries make use of notional and physical cash pooling arrangements in hard currencies to the extent permitted.

In addition, in some countries it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this may be time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group. This is a relatively rare case for the countries in which the Group operates.

Lastly, repatriation most often gives raise to taxation, which is evidenced in the amount of taxes paid by the Group relative to the Corporate Income Tax reported in its statement of income.

D.4. Credit and counterparty risk

Financial instruments that subject the Group to credit risk include cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners and associates, supplier advances and other current assets and derivatives. Counterparties to agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set, based on each bank's credit rating.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

D.4. Credit and counterparty risk – continued

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Accounts receivable also comprise balances due from other telecom operators. Credit risk of other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

As the Group has a large number of internationally dispersed customers, there is generally no significant concentration of credit risk with respect to trade receivables, except for certain B2B customers (mainly governments). See Note F.1.

D.5. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has significant indebtedness but also has significant cash balances. Millicom evaluates its ability to meet its obligations on an ongoing basis using a recurring liquidity planning tool. This tool considers the operating net cash flows generated from its operations and the future cash needs for borrowing, interest payments, dividend payments and capital and operating expenditures required in maintaining and developing its operating businesses.

The Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, vendor financing, Export Credit Agencies and Development Finance Institutions ("DFI") loans, and finance leases. Millicom believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC and FMO), which have been established specifically to finance development in the Group's markets. Millicom has a diversified financing portfolio with commercial banks representing about 24% of its gross financing (2015: 24%), bonds 66% (2015: 64%), Development Finance Institutions 2% (2015: 3%), finance leases 8% (2015: 8%), and no vendor financing (2015 1%).

Maturity profile of net financial liabilities at 31 December 2016 (US$ millions)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Total debt and financing	**(80)**	**(2,269)**	**(1,552)**	**(3,901)**
Cash and cash equivalents	**646**	**—**	**—**	**646**
Restricted cash	**145**	**—**	**—**	**145**
Pledged deposits (related to bank borrowings)	**3**	**—**	**—**	**3**
Time deposits	**2**	**—**	**—**	**2**
Derivative financial instruments (SEK currency swap)	**—**	**(84)**	**—**	**(84)**
Net cash (debt) including derivatives related to debt	**716**	**(2,353)**	**(1,552)**	**(3,189)**
Future interest commitments	**(283)**	**(916)**	**(71)**	**(1,270)**
Trade payables (excluding accruals)	**(443)**	**—**	**—**	**(443)**
Other financial liabilities (including accruals)	**(1,174)**	**—**	**—**	**(1,174)**
Trade receivables	**387**	**—**	**—**	**387**
Other financial assets	**131**	**71**	**—**	**202**
Net financial liabilities	**(666)**	**(3,199)**	**(1,622)**	**(5,487)**

Maturity profile of net financial liabilities at 31 December 2015 (US$ millions)	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(221)	(1,555)	(2,233)	(4,010)
Cash and cash equivalents	769	—	—	769
Restricted cash	142	—	—	142
Pledged deposits (related to bank borrowings)	3	—	—	3
Time deposits	2	—	—	2
Derivative financial instruments (SEK currency swap)	—	(65)	—	(65)
Net cash (debt) including derivatives related to debt	695	(1,620)	(2,233)	(3,159)
Future interest commitments	(257)	(881)	(83)	(1,221)
Trade payables (excluding accruals)	(420)	—	—	(420)
Other financial liabilities (including accruals)	(1,693)	—	—	(1,693)
Trade receivables	398	—	—	398
Other financial assets	130	75	—	205
Net financial liabilities	(1,147)	(2,426)	(2,316)	(5,889)

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

D.6. Capital management

The primary objective of the Group's capital management is to ensure a strong credit rating and solid capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure with reference to economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. At 31 December 2016, Millicom is rated at one notch below investment grade by the independent rating agencies Moody's (Ba1 negative) and Fitch (BB+ stable). The Group primarily monitors capital using net debt to EBITDA.

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

Net debt to EBITDA (US$ millions)	Note	**2016**	2015
Net debt(i)	C.5.	**4,181**	4,295
EBITDA (i)	B.3.	**2,172**	2,188
Net debt to EBITDA		**1.93**	1.96

Gearing ratio (US$ millions)	Note	**2016**	2015
Net debt(i)	C.5.	**4,181**	4,295
Equity	C.1.	**3,167**	3,477
Net debt and equity		**7,348**	7,772
Gearing ratio		**57%**	55%

(i) Including net debt and EBITDA of Guatemala and Honduras operations for US$1,076 million (2015: US$1,201 million) and US$858 million (2015: US$934 million), respectively.

E. Long-term assets

E.1. Intangible sssets

Millicom's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate and use spectrum.

E.1.1. Accounting for intangible assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, at the date of the acquisition. If the fair value or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within 12 months of the acquisition date any adjustments to the provisional values are recognized. This is done when the fair values and the cost of the acquisition have been finally determined. Adjustments to provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries is included in "intangible assets, net". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

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for the year ended 31 December 2016 – continued

E.1.1. Accounting for intangible assets – continued

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are included only if there is evidence to support renewal by the Group without significant cost.

Trademarks and customer lists

Trademarks and customer bases are recognized as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks and customer bases have indefinite or finite useful lives. Indefinite useful life trademarks are tested for impairment annually. Finite useful life trademarks are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the trademarks and customer bases over their estimated useful lives. The estimated useful lives for trademarks and customer bases are based on specific characteristics of the market in which they exist. Trademarks and customer bases are included in "Intangible assets, net".

Estimated useful lives are:

Estimated useful lives	Years
Trademarks	1 to 15
Customer lists	4 to 9

Programming and content rights

Programming and content master rights which are purchased or acquired in business combinations which meet certain criteria are recorded at cost as intangible assets. The rights must be exclusive, related to specific assets which are sufficiently developed, and probable to bring future economic benefits and have validity for more than one year. Cost includes consideration paid or payable and other costs directly related to the acquisition of the rights, and are recognized at the earlier of payment or commencement of the broadcasting period to which the rights relate.

Programming and content rights capitalized as intangible assets have a finite useful life and are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the rights over their estimated useful lives.

Non-exclusive and programming and content rights for periods less than one year are expensed over the period of the rights.

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.

E.1.1. Accounting for intangible assets – continued

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) is accounted for as an intangible asset.

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.

E.1.2. Impairment of non-financial assets

At each reporting date Millicom assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset's recoverable amount is made. The recoverable amount is determined based on the higher of its fair value less cost to sell, and its value in use, for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value, less cost to sell, is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset. The foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Other than for goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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E.1.3. Movements in intangible assets

Movements in intangible assets in 2016 (US$ millions)	**Goodwill**	**Licenses**	**Customer lists**	**IRUs**	**Broadcast and other rights**	**Other[i]**	**Total**
Opening balance, net	**621**	**387**	**57**	**119**	**32**	**213**	**1,429**
Additions	**—**	**89**	**—**	**4**	**—**	**98**	**192**
Amortization charge	**—**	**(64)**	**(26)**	**(13)**	**(3)**	**(80)**	**(186)**
Impairment	**—**	**—**	**—**	**(2)**	**—**	**(1)**	**(3)**
Disposals, net	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**
Transfers	**—**	**(6)**	**—**	**1**	**(29)**	**(4)**	**(38)**
Transfers to/from assets held for sale (see note E.3.)	**(11)**	**(23)**	**—**	**—**	**—**	**(7)**	**(42)**
Exchange rate movements	**5**	**(3)**	**1**	**4**	**—**	**5**	**13**
Closing balance, net							
At 31 December 2016	**615**	**380**	**32**	**114**	**—**	**219**	**1,359**
Cost or valuation	**615**	**702**	**210**	**177**	**11**	**579**	**2,293**
Accumulated amortization and impairment	**—**	**(321)**	**(178)**	**(64)**	**(11)**	**(360)**	**(934)**
Net	**615**	**380**	**32**	**114**	**—**	**219**	**1,359**

Movements in intangible assets in 2015 (US$ millions)	Goodwill	Licenses	Customer lists	IRUs	Broadcast and other rights	Other[i]	Total
Opening balance, net	3,076	774	486	167	30	982	5,515
Change in the Group (see note A.1.2.)[ii]	17	40	22	9	—	12	100
Additions	—	47	—	31	—	116	194
Effect of deconsolidation [iii]	(2,358)	(345)	(343)	(13)	—	(754)	(3,813)
Amortization charge	—	(53)	(99)	(17)	(5)	(72)	(246)
Impairment	—	(18)	—	—	—	(1)	(19)
Disposals, net	—	—	—	(2)	—	—	(2)
Transfers	—	(3)	2	(6)	7	—	—
Exchange rate movement	(114)	(55)	(11)	(50)	—	(70)	(300)
Closing balance, net	621	387	57	119	32	213	1,429
At 31 December 2015							
Cost or valuation	621	639	210	182	51	495	2,198
Accumulated amortization and impairment	—	(252)	(153)	(63)	(19)	(282)	(769)
Net	621	387	57	119	32	213	1,429

(i) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note E.1.1.).
(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).
(iii) See note A.2.2.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions (US$ millions)	2016	2015
Additions	**192**	194
Change in accruals and payables for intangibles	**(49)**	(8)
Cash used from continuing operations for additions	**143**	186

E.1.5. Goodwill

Allocation of Goodwill to CGUs, net of exchange rate movements and after impairment (US$ millions)	Note	2016	2015
El Salvador		**194**	194
Costa Rica		**126**	129
Paraguay		**53**	53
Colombia		**198**	189
DRC		**—**	11
Tanzania (Zantel)		**11**	11
Other		**33**	34
Total		**615**	621

E.1.6. Impairment testing of goodwill

Goodwill from CGUs is tested for impairment at least each year and more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill arising on business combinations is allocated to each of the Group's cash generating units (CGU's) or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment.

Impairment is determined by assessing the recoverable amount (value in use) and, if appropriate, the fair value less costs to sell of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized for the lower amount.

Impairment testing at 31 December 2016

Goodwill was tested for impairment by assessing the recoverable amount (first using a value in use model) against the carrying amount for CGU based on discounted cash flows. The cash flow projections used (adjusted operating profit margins, income tax, working capital, capital expenditure and license renewal cost) are extracted from financial budgets approved by management and the Board covering a period of five years or more. This planning horizon reflects industry practice in the countries where the Group operates and stage of development or redevelopment of the business in those countries. Cash flows beyond this period are extrapolated using a perpetual growth rate of 2.0%–2.5% (2015: 2.0%–2.5%). When value in use model resulted in the carrying values of the CGUs being higher than their recoverable amount, management has determined the fair value less cost of disposal ("FVLCD") of the CGUs. Fair value less cost of disposal has been determined either by using recent offers received from third parties (Level 1) or by using discounted cash flow projections (still based on the five-year plans) and applying a multiple of EBITDA on the terminal year of the five-year plan to derive the terminal value for the CGU (ranging between 3.0x to 4.0x) (Level 3).

For the year ended 31 December 2016, and as a result of the annual impairment testing on goodwill, management concluded that none of the Group CGUs should be impaired, but the impairment test performed for the Group CGU in Senegal shows limited headroom. As a matter of fact, a decrease in the EBITDA multiple used by 1.0pt would make the carrying value of the Group CGU equal its recoverable amount (determined by using FVLCD).

For the year ended 31 December 2015, the Senegal cash generating unit (CGU), part of Africa segment, had been impaired. Hence, in accordance with IAS 36, an impairment loss of US$54 million had been allocated to reduce the carrying amount of the other assets of our operations in Senegal (the goodwill allocated to Senegal was already fully impaired in 2013) pro rata on the basis of the carrying amount of each asset to the extent the carrying amount of each asset was not below the highest of its fair value less costs to sell, its value in use and zero. Management had determined that the impairment loss be allocated to property, plant and equipment and intangible assets for US$36 million and US$18 million, respectively. The impairment had been classified within the caption "other operating expenses, net". At 31 December 2015, the carrying value of the CGU corresponded to its fair value less costs of disposal (Level 3).

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.6. Impairment testing of goodwill – continued

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing - except for Senegal (see above).

Discount rates used in determining recoverable amount (US$ millions)	Discount rate after tax (%)	
	2016	2015
Bolivia	**9.4**	10.8
Chad	**16.5**	17.3
Colombia	**8.6**	9.5
Costa Rica	**10.9**	11.1
DRC (See note E.3.)	**na**	17.6
El Salvador	**11.9**	11.4
Ghana	**17.7**	16.9
Guatemala (See note A.2.2.)	**na**	10.2
Honduras (See note A.2.2.)	**na**	11.0
Paraguay	**9.3**	10.1
Rwanda	**14.6**	13.1
Senegal	**14.0**	13.9
Tanzania	**14.3**	13.8

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognized.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible.

Estimated useful lives	Years
Buildings	40 years or lease period, if shorter
Networks (including civil works)	5 to 15 years or lease period, if shorter
Other	2 to 7

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Ongoing routine repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

Costs of major inspections and overhauls are added to the carrying value of property, plant and equipment and the carrying amount of previous major inspections and overhauls is derecognized.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset when it is probable that such costs will contribute to future economic benefits for the Group and the costs can be measured reliably.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.2.2. Movements in tangible assets

Movements in tangible assets in 2016 (US$ millions)	**Network equipment[iii]**	**Land and buildings**	**Construction in progress**	**Other[i]**	**Total**
Opening balance, net	**2,476**	**149**	**431**	**142**	**3,198**
Additions	**45**	**—**	**632**	**5**	**683**
Impairments	**(2)**	**—**	**(2)**	**(4)**	**(7)**
Disposals, net	**(11)**	**—**	**(3)**	**—**	**(14)**
Depreciation charge	**(677)**	**(12)**	**—**	**(58)**	**(747)**
Asset retirement obligations	**15**	**2**	**—**	**—**	**17**
Transfers	**775**	**9**	**(814)**	**62**	**31**
Transfers from/(to) assets held for sale (see note E.3.)	**(123)**	**(5)**	**(2)**	**(9)**	**(139)**
Exchange rate movements	**27**	**3**	**9**	**(4)**	**36**
Closing balance, net	**2,525**	**147**	**250**	**135**	**3,057**
Cost or valuation	**6,138**	**185**	**250**	**474**	**7,047**
Accumulated amortization and impairment	**(3,613)**	**(38)**	**—**	**(339)**	**(3,990)**
Net at 31 December 2016	**2,525**	**147**	**250**	**135**	**3,057**

Movements in tangible assets in 2015 (US$ millions)	Network equipment[iii]	Land and buildings	Construction in progress	Other[i]	Total
Opening balance, net	3,749	193	490	319	4,751
Change in the Group (see note A.1.2.)[ii]	22	6	4	—	32
Additions	103	4	962	34	1,103
Effect of deconsolidation [iv]	(850)	(18)	(122)	(40)	(1,030)
Impairments	(33)	—	(5)	(1)	(39)
Disposals, net	(9)	(2)	—	(4)	(15)
Depreciation charge	(952)	(15)	—	(108)	(1,075)
Asset retirement obligations	6	3	—	—	9
Transfers	916	12	(956)	28	—
Transfers from/(to) assets held for sale	9	—	—	—	9
Exchange rate movements	(485)	(34)	58	(86)	(547)
Closing balance, net	2,476	149	431	142	3,198
Cost or valuation	5,692	182	431	448	6,753
Accumulated amortization and impairment	(3,216)	(33)	—	(306)	(3,555)
Net at 31 December 2015	2,476	149	431	142	3,198

(i) "Other" mainly includes office equipment and motor vehicles.
(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).
(iii) The net carrying amount of network equipment under finance leases at 31 December 2016 was US$245 million (2015: US$258 million).
(iv) See note A.2.2.

Borrowing costs capitalized for the years ended December 31, 2016 and 2015 were not significant.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.2.3. Cash used for the purchase of tangible assets

Cash used for property, plant and equipment additions (US$ millions)	2016	2015
Additions	**683**	1,103
Change in advances to suppliers	**(16)**	8
Change in accruals and payables for property, plant and equipment	**51**	(62)
Vendor financing and finance leases	**1**	(30)
Cash used from continuing operations for additions	**719**	1,019

E.3. Assets held for sale

If Millicom decides to sell subsidiaries, investments in joint ventures or associates, or specific non-current assets in its businesses, these items qualify as assets held for sale if certain conditions are met.

E.3.1. Classification of assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use. Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

E.3.2. Millicom's assets held for sale

(US$ millions)	2016	2015
Tower assets held for sale	**5**	—
4G Spectrum (UNE) held for sale	**—**	12
Liabilities directly associated with assets held for sale	**—**	—
Net assets held for sale	**5**	12

Oasis S.A.

On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. for a total cash consideration of US$160 million adjusted for working capital movements and including US$10 million of cash hold-back subject to the completion of the disposal of the Mobile Financial Services business (DRC Mobile Cash). The transaction was completed in respect of the mobile business (Oasis S.A.) on 20 April 2016 and includes certain indemnity and warranty clauses as well as other expenses directly linked with the disposal, which have been provided for as of 31 December 2016. See note A 4.1. The separate disposal of DRC Mobile Cash was completed in September 2016. As a result, US$10 million of the cash hold-back was received in October 2016.

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. The following assets and liabilities were held for sale in relation to Oasis S.A. as at the date of disposal:

Assets and liabilities reclassified as held for sale – Oasis S.A. (US$ millions)	20 April 2016
Intangible assets, net.	**58**
Property, plant and equipment, net	**133**
Other non-current assets	**11**
Current assets	**42**
Cash and cash equivalents	**33**
Total assets of disposal group held for sale	**277**
Non-current financial liabilities	**44**
Current liabilities	**84**
Total liabilities of disposal group held for sale	**128**
Net assets	**149**

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.3.2. Millicom's assets held for sale – continued

Comparative figures of the income statement have been represented accordingly. Financial information relating to the discontinued operations for the year ended 31 December 2016 and 2015 is set out below.

The sale of Oasis S.A. generated a cash inflow of US$147 million, net of US$33 million of cash disposed.

Results from discontinued operations (US$ millions)	**31 December 2016**	31 December 2015
Revenue	**40**	158
Cost of sales	**(15)**	(60)
Operating expenses	**(20)**	(108)
Depreciation and amortization	**(3)**	(40)
Other operating profit income expense, net	**—**	(2)
Operating profit (loss)	**2**	(53)
Interest income (expense), net	**(2)**	(17)
Profit (loss) before taxes	**1**	(70)
Credit (charge) for taxes, net	**6**	(13)
Results from discontinued operations	**6**	(83)
Gross gain on disposal of discontinued operations	**32**	—
Other expenses linked to the disposal of discontinued operations	**(19)**	—
Net gain (loss) on disposal of discontinued operations	**13**	—
Net profit (loss) from discontinued operations	**19**	(83)

Cash flows from discontinued operations (US$ millions)	**31 December 2016**	31 December 2015
Cash used in operating activities, net	**(3)**	(20)
Cash used in investing activities, net	**(1)**	(26)
Cash provided by financing activities, net	**—**	49
Net cash inflows/(outflows)	**(4)**	3

Mobile Cash DRC

The sales agreement also included the separate disposal of Mobile Cash DRC, which was completed late 2016. The cash inflow and the loss from the disposal of this operation was not material for the Group.

4G Spectrum (UNE)

During 2016, the 4G spectrum in Colombia has been reclassified from "Assets held for sale" to intangible assets as the value of the spectrum will not be recovered through sale, but through use. A depreciation catch-up has been recorded for US$11 million. In October 2016, the date on which UNE stopped rendering 4G services, the 4G spectrum was fully depreciated.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

F. Other assets and liabilities

F.1. Trade receivables

Millicom's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as B2B customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

(US$ millions)	2016	2015
Gross trade receivables	**593**	599
Less: provisions for impairment of receivables	**(206)**	(201)
Trade receivables, net	**387**	398

Ageing of trade receivables (US$ millions)	Neither past due nor impaired	Past due (net of impairments) < 30 days	30–90 days	>90 days	Total
2016:					
Telecom operators	**26**	**14**	**11**	**1**	**52**
Own customers	**121**	**48**	**77**	**6**	**252**
Others	**57**	**19**	**5**	**2**	**83**
Total	**204**	**81**	**93**	**9**	**387**
2015:					
Telecom operators	32	20	14	1	67
Own customers	153	54	48	—	255
Others	52	14	6	4	76
Total	237	88	68	5	398

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in the consolidated income statement within "Cost of sales".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing more than 12 months after the end of the reporting period. These are classified within non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

F.2. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories (US$ millions)	2016	2015
Telephone and equipment	**32**	59
SIM cards	**7**	7
IRUs	**6**	—
Other	**17**	14
Inventory at 31 December 2016	**62**	80

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

F.3. Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method where the effect of the passage of time is material.

From time to time, the Group enters into agreements to extend payment terms with various suppliers, and with factoring companies when such payments are discounted. The corresponding amount pending payment as of 31 December 2016, is recognized in "Trade payables" for an amount of US$20 million.

F.4. Current and non-current provisions and other liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, risks specific to the liability. Where discounting is used, increases in the provision due to the passage of time are recognized as interest expenses.

F.4.1. Current provisions and other liabilities

Current (US$ millions)	**2016**	2015
Deferred revenue	**112**	121
Customer deposits	**9**	8
Current legal provisions	**12**	20
Tax payables	**44**	60
Customer and MFS distributor cash balances	**139**	130
Witholding tax on payments to third parties	**17**	—
Other provisions	**10**	18
Other current liabilities	**134**	130
Total	**477**	487

F.4.2. Non-current provisions and other liabilities

Non-current (US$ millions)	**2016**	2015
Non-current legal provisions	**28**	24
Long-term portion of asset retirement obligations	**78**	66
Long-term portion of deferred income on tower sale and leasebacks	**18**	24
Long-term employment obligations	**76**	56
Other non-current liabilities	**85**	73
Total	**285**	243

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G. Additional disclosure items

G.1 Fees to auditors

(US$ millions)	2016	2015
Audit fees	**4.3**	4.7
Audit related fees	**0.3**	0.3
Tax fees	**0.2**	0.3
Other fees	**1.8**	0.9
Total	**6.6**	6.2

G.2. Capital and operational commitments

Millicom has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital commitments

At 31 December 2016 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 US$179 million of which US$162 million are due within one year (December 31, 2015: US$216 million of which US$203 million are due within one year). Out of these commitments, respectively US$17 million and US$14 million related to Millicom's share in joint ventures. (December 31, 2015: US$33 million of which US$27 million are due within one year).

G.2.2 Lease commitments

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset. The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above. The portion of towers being leased back represents the dedicated part of each tower on which Millicom's equipment is located and was derived from the average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses.

Operating leases

Operating leases are all other leases that are not finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2016 was US$135 million (2015: US$191 million – see note B.2.).

Annual operating lease commitments (US$ millions) from continuing operations	2016[(i)]	2015
Within one year	**131**	111
Between one and five years	**371**	310
After five years	**225**	214
Total	**727**	635

(i) Joint ventures operating lease commitments amount to US$210 million (2015: US$219 million) and are excluded from the table above.

Finance leases

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. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.2.2 Lease commitments – continued

Finance leases mainly comprise lease of tower space in Ghana, Tanzania and Colombia (see note C.3.3.), lease of poles in Colombia and tower sharing in other countries. Other financial leases mainly consist of lease agreements relating to vehicles and IRUs.

Annual minimum finance lease commitments (US$ millions)	2016(i)	2015
Within one year	**81**	82
Between one and five years	**330**	346
After five years	**353**	416
Total	**764**	844

(i) Joint ventures finance lease commitments amount to US$nil (2015: nil) and are excluded from the table above.

The corresponding finance lease liabilities at 31 December 2016 were US$295 million (2015: US$336 million). Interest expense on finance lease liabilities amounts to US$66 million for the year 2016 (2015: US$63 million).

G.3. Contingent liabilities

G.3.1. Litigation and legal risks

The Company and its operations are contingently liable with respect to lawsuits and other legal risks that arise in the normal course of business. As of 31 December 2016, the total amount of claims and litigation risks against Millicom and its operations was US$406 million, of which US$3 million related to its share in joint ventures (31 December 2015: US$492 million, of which none related to its share in joint ventures).

As at 31 December 2016, US$43 million, of which US$1 million related to its share in joint ventures (31 December 2015: US$42 million, of which none related to its share in joint ventures), has been provided for litigation and legal risks in the consolidated statement of financial position. While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

In June 2016, Millicom was served with claims by a third party seeking monetary damages in the amount of US$4.6 million and 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. Accordingly Millicom continues to fully consolidate Tigo Tanzania at 100%.

The following specific risks are excluded from the US$406 million above:

Colombia

A claim filed with the Civil Chamber of Bogota in Colombia against all mobile operators in Colombia in 2013, including our subsidiary in Colombia, by a group of approximately 20 individuals of approximately US$794 million. The claimants allege damages and losses suffered from third parties through illegal use of cellular phones in extortion attempts against the claimants.

The case has been inactive, with the exception of a mandatory settlement conference held among the parties under the court's supervision, which did not result in a settlement agreement. This claim is considered by management to be entirely spurious and without foundation or substance. As a result, no provision has been made for this claim.

Other

At 31 December 2016 Millicom has various other less significant claims which are not disclosed separately in these consolidated financial statements.

Potential improper payments on behalf of the Guatemala joint venture

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 2016, the matter is still under investigation and Management has not been able to assess the potential impact on these 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 2016.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.3.2. Tax related risks and uncertain tax position

The Group operates in developing countries where the tax systems, regulations and enforcement processes have varying stages of development creating uncertainty regarding application of tax law and interpretation of tax treatments. The Group is also subject to regular tax audits in the countries where it operates. When there is uncertainty over whether the taxation authority will accept a specific tax treatment under the local tax law, that tax treatment is therefore uncertain. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and, in some cases, it is difficult to predict the ultimate outcome. Therefore, judgment is required to determine provisions for taxes.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Group assumes that a taxation authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information when making those examinations.

The Group has a process in place to identify its uncertain tax positions. Management then considers whether or not it is probable that a taxation authority will accept an uncertain tax treatment. On that basis, the identified risks are split into three categories (i) remote risks (risk of outflow of tax payments are 0–20%), (ii) possible risks (risk of outflow of tax payments are 21% to 49%) and probable risks (risk of outflow is more than 50%). The process is repeated every quarter by the Group.

If the Group concludes that it is probable or certain that the taxation authority will accept the tax treatment, the risks are categorized either as possible or remote, and it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. The risks considered as possible are not provisioned but disclosed as tax contingencies in the Group consolidated financial statements while remote risks are neither provisioned nor disclosed.

If the Group concludes that it is probable that the taxation authority will not accept the Group's interpretation of the uncertain tax treatment, the risks are categorized as probable, and it reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates by generally using the most likely amount method – the single most likely amount in a range of possible outcomes.

If an uncertain tax treatment affects both deferred tax and current tax, the Group makes consistent estimates and judgments for both. For example, an uncertain tax treatment may affect both taxable profits used to determine the current tax and tax bases used to determine deferred tax.

If facts and circumstances change, the Group reassesses the judgments and estimates regarding the uncertain tax position taken.

At 31 December 2016 potential tax risks estimated by the Group amount to US$311 million of which provisions of US$65 million have been recorded representing the probable amount of eventual claims and required payments related to those risks (2015: US$369 million of which provisions of US$86 million were recorded). Out of these potential claims and provisions, respectively US$96 million (2015: US$76 million) and US$9 million (2015: US$9 million) related to Millicom's share in joint ventures.

G.4. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations (US$ millions)	Note	2016	2015
Investing activities			
Acquisition of property, plant and equipment	E.2.2.	**35**	(54)
Asset retirement obligations	E.2.3.	**(17)**	(9)
Financing activities			
Vendor financing and finance leases	G.2.2.	**—**	30
Share based compensation	B.4.1.	**14**	19

G.5. Related party balances and transactions

The Company conducts transactions with certain related parties on normal commercial terms and conditions. The Group's significant related parties are:

Kinnevik AB ("Kinnevik") and subsidiaries, Millicom's principal shareholder.

Tower companies in Ghana, DRC, Tanzania (until October 2015), and in Helios Towers Africa Ltd (since October 2015), in which Millicom holds a direct or indirect equity interest (see note A.3.2.).

EPM and subsidiaries, the non-controlling shareholder in our Colombian operations (see note A.1.2.).

Miffin Associates Corp and subsidiaries, our joint venture partner in Guatemala.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.5. Related party balances and transactions – continued

Kinnevik

Millicom's principal shareholder is Kinnevik. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At 31 December 2015, Kinnevik owned approximately 38% of Millicom (2015: 38%). During 2016 and 2015, 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 2015 and 2014 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Helios Towers

Millicom acquired 40% shareholdings in Helios Towers Ghana, Helios Towers Tanzania and Helios Towers DRC as part of the compensation agreed for the sale and lease back of its towers in those countries. Millicom sold its tower assets and leased back a portion of space on the towers in each of these countries and contracted for related operation and management services. As described in note A.3.2., as a result of a reorganization, Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains a significant influence on HTA. The Group has future lease commitments in respect of the tower companies (see note G.2.2.).

Miffin Associates Corp ("Miffin")

The Group purchases and sells products and services from Miffin Group. Transactions with Miffin represent recurring commercial operations such as purchase of handsets, and sale of airtime.

Expenses from transactions with related parties (US$ millions)	**2016**	2015
Purchases of goods and services from Kinnevik	**7**	3
Purchases of goods and services from Miffin	**167**	148
Purchases of goods and services from EPM	**22**	17
Lease of towers and related services from Helios(i)	**35**	36
Other expenses	**2**	2
Total	**233**	206

Income and gains from transactions with related parties (US$ millions)	**2016**	2015
Sale of goods and services to EPM	**18**	19
Sale of goods and services to Miffin	**261**	253
Other revenue	**10**	4
Total	**289**	276

(i) Until acquisition/disposal date.

As at 31 December the Company had the following balances with related parties:

US$ millions	**Year ended 31 December 2016**	Year ended 31 December 2015
Liabilities		
Payables to Guatemala(i)	**245**	335
Payables to Honduras(ii)	**118**	225
Finance lease liabilities to tower companies(iii)	**85**	122
Payables to EPM	**3**	66
Other accounts payable	**20**	18
Total	**471**	766

(i) Shareholder loans
(ii) Amounts payable mainly consist in dividend advances. Dividend is expected to be declared in 2017.
(iii) Disclosed under "Debt and other financing" in the statement of financial position.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.5. Related party balances and transactions – continued

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Assets		
Receivables from EPM	**4**	5
Loan to Helios Towers Tanzania	**10**	7
Other accounts receivable	**3**	4
Total	**17**	16

H. IPO – Millicom's operations in Tanzania

In June 2016, an amendment to the Electronic and Postal Communications Act ("EPOCA") in the Finance Act 2016 requires all licensed telecom operators to sell 25% of the authorized share capital in a public offering on the Dar Es Salaam Stock Exchange by 31 December 2016. As of 31 December 2016, no licensed operator had completed a public offering, including Millicom's license holding subsidiaries, Millicom Tanzania, Zantel and Telesis. On 13 January 2017, Millicom Tanzania, Zantel and Telesis each received from the Tanzanian Communications Regulatory Authority ("TCRA") a notice of material breach of the license giving 30 days to comply. Millicom has signaled its intention for its subsidiaries to comply with the law and list its businesses but will not be in a position to complete public offerings by such time or in the near future. Accordingly, Millicom's businesses in Tanzania may face sanctions from the regulator or other government bodies, which could include financial penalties, or even suspension or cancellation of its license. Management is currently not able to assess the financial impact on its consolidated financial statements (although the Company deems the suspension or cancellation of the license is unlikely) and therefore no provision has been recorded as of 31 December 2016.

I. Subsequent events

Dividend

On 7 February 2017 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 out of Millicom profits for the year ended 31 December 2016 subject to the Board's approval of the 2016 Consolidated Financial Statements of the Group.

TV Cable Parana

On 6 January 2017, after obtaining the necessary regulatory approvals, Tigo Paraguay completed the acquisition of TV Cable Parana for a total consideration of US$19 million.

Tigo Senegal and HTA

We have agreed to sell our business in Senegal to Wari Group, subject to regulatory approvals. The transaction represents an enterprise value for Tigo Senegal of US$129 million. We have also initiated a process to sell our 22% stake in Helios Towers Africa.

Additional information

Alternative Performance Measures ('APMs')

In the front section of the Group's Annual Report, APMs are used to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. These measures are usually used for internal performance reporting and in defining director and management remuneration. They are useful in connection with discussion with the investment analyst community. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Definitions, use and reconciliations to the closest IFRS measures are presented in the table below and on the following pages.

APMs	Descriptions
Management reporting numbers	The financial information presented in the front section of this Annual Report is with Guatemala (55% owned) and Honduras (66.7% owned) as if fully consolidated, while the Group equity accounts those operations in the IFRS consolidated financial statements. See next pages for reconciliation with IFRS numbers.
Service, mobile data and cable revenue	• Service revenue is Group revenue related to the provision of ongoing services such as monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services excluding telephone and equipment sales; • Mobile data revenue is Group revenue related to the provision of data for smartphone users. Mobile data revenue is included in Service revenue; • Cable revenue is Group revenue related to the provision of cable services such as broadband internet and TV. Cable revenue is included in Service revenue.
Organic growth	Organic growth represents year-on year-growth in local currency (includes regulatory changes) and constant perimeter. See next pages for reconciliation with reported numbers.
Operating profit	Operating profit is profit before taxes before results from associates, other non-operating expenses (such as foreign exchange losses and changes in fair value of derivatives) and net financial expenses.
EBITDA	EBITDA is operating profit excluding impairment losses, depreciation and amortization and gains/losses on the disposal of fixed assets.
Adjusted EBITDA	Adjusted EBITDA is EBITDA excluding one-off items such as restructuring charges, provisions for litigations, tax provisions or settlements being made relating to prior periods and other exceptional items that have materially impacted trading results that we do not expect to be recurring.
Adjusted net profit	Adjusted net profit is net profit adjusted for non-operating items such as foreign exchange gains/losses, changes in fair value of derivatives, early redemption premium for debts and other financing, dilution gains and impairments on investments in associates and similar items classified under 'other non-operating income (expenses)' as well as excluding results from discontinued operations.
Adjusted EPS	Adjusted EPS is computed based on adjusted net profit divided by the number of shares outstanding.
Return on Invested Capital	Return on Invested Capital is used to assess the Group's efficiency at allocating the capital under its control to profitable investments.
Net debt	Net debt is Gross debt (including finance leases) less cash, restricted cash and pledged deposits.
Capex measures	• Capex is balance sheet capital expenditure excluding spectrum and license costs. • Cash Capex represents the cash spent in relation to capital expenditure, excluding spectrum and licenses.
Cash flow measures	• Operating cash flow is EBITDA less capex (excluding spectrum and license costs); • Operating Free Cash Flow is operating cash flow less change in working capital and other non-cash items and taxes paid; • Equity Free Cash Flow is operating cash flow less taxes paid, interest paid (net) and advances for dividends to non-controlling interests. These measures allow us and third parties to evaluate our liquidity and the cash generated by our operations.

Additional information – continued

Reconciliation with Guatemala and Honduras as if fully consolidated vs. IFRS (unaudited)

As previously noted, the table reconciles the Management reporting numbers which include Guatemala and Honduras on a 100% consolidation basis with the IFRS numbers which account for these businesses as joint ventures using the equity method.

Consolidated statement of income

US$ millions	Year ended 31 December 2016 Management reporting (Unaudited)	Guatemala and Honduras	JV adjustment	Year ended 31 December 2016 IFRS (Audited)
Revenue	6,249	(1,875)		4,374
Cost of sales	(1,655)	376		(1,279)
Gross profit	4,594	(1,498)		3,096
Operating expenses	(2,422)	641		(1,781)
EBITDA	2,172	(858)		1,314
EBITDA margin	34.76%	45.75%		30.04%
Depreciation & amortization	(1,368)	440		(928)
Share of net profit in joint ventures	—	—	115	115
Other operating income (expenses), net	(43)	24		(20)
Operating profit	761	(394)	115	482
Net financial expenses	(472)	100		(372)
Other non-operating income (expenses), net	(1)	11		10
Gains (losses) from associates	(49)	—		(49)
Profit before tax	239	(283)	115	71
Net tax credit (charge)	(251)	72		(180)
Profit (loss) for the year	(13)	(212)	115	(109)
Profit (loss) from discontinued operations	19	—		19
Non-controlling interests	(38)	96		58
Net profit (loss) for the year	(32)	(115)	115	(32)

Consolidated statement of financial position

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Assets			
Non-current assets			
Intangible assets, net	4,618	(3,259)	1,359
Property, plant and equipment, net	4,205	(1,148)	3,057
Investments in joint ventures	—	2,945	2,945
Investments in associates	331	—	331
Deferred tax assets	175	(9)	166
Amount due from non-controlling interests, associates and joint ventures	1	(1)	—
Derivative financial instruments	32	—	32
Other non-current assets	74	(2)	72
Total non-current assets	9,434	(1,473)	7,961
Current assets			
Inventories, net	82	(20)	62
Trade receivables, net	481	(94)	387
Amounts due from non-controlling interests, associates and joint venture partners	269	(252)	17
Prepayments and accrued income	209	(39)	171
Current income tax assets	111	(10)	101
Supplier advances for capital expenditure	48	(25)	23
Other current assets	142	(33)	110
Restricted cash	156	(11)	145
Cash and cash equivalents	947	(301)	646
Total current assets	2,445	(784)	1,661
Assets held for sale	5	—	5
Total assets	11,884	(2,257)	9,627

Additional information – continued

Consolidated statement of financial position – continued

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Equity and liabilities			
Equity			
Share capital and premium	638	—	638
Treasury shares	(123)	—	(123)
Option reserves	(749)	188	(562)
Retained profits	3,243	4	3,247
Profit (loss) for the year attributable to equity holders	(32)	—	(32)
Equity attributable to owners of the Company	2,976	191	3,167
Non-controlling interests	1,095	(894)	201
Total equity	4,071	(703)	3,368
Liabilities			
Non-current liabilities			
Debt and financing	5,147	(1,327)	3,821
Derivative financial instruments	84	—	84
Amounts due to associates and joint venture partners	1	112	113
Provisions and other non-current liabilities	352	(65)	286
Deferred tax liabilities	159	(101)	57
Total non-current liabilities	5,742	(1,381)	4,361
Current liabilities			
Debt and financing	143	(63)	80
Payables and accruals for capital expenditure	416	(90)	326
Other trade payables	322	(24)	297
Amounts due to non-controlling interests, associates and joint ventures	2	271	273
Accrued interest and other expenses	532	(157)	376
Current income tax liabilities	79	(11)	68
Provisions and other current liabilities	577	(99)	477
Total current liabilities	2,070	(173)	1,898
Liabilities directly associated with assets held for sale	—	—	—
Total liabilities	7,812	(1,554)	6,258
Equity and liabilities	11,884	(2,257)	9,627

Consolidated statement of cash flows

US$ millions	Year ended 31 December 2016 (Unaudited)	IFRS adjustments	Year ended 31 December 2016 IFRS (Audited)
Cash flows from operating activities (including discontinued operations)			
Profit (loss) before taxes from continuing operations	239	(168)	71
Profit (loss) for the year from discontinued operations	13	—	13
Profit (loss) before taxes	251	(168)	83
Net cash provided by operating activities	1,476	(598)	878
Net cash used in investing activities	(936)	385	(552)
Net cash from (used by) financing activities	(521)	80	(441)
Exchange impact on cash and cash equivalents, net	(8)	—	(8)
Net (decrease) increase in cash and cash equivalents	10	(133)	(123)
Cash and cash equivalents at the beginning of the year	937	(168)	769
Cash and cash equivalents at the end of the year	947	(301)	646

Additional information – continued

Organic growth adjustments

Group revenue	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**1,636**	1,821	**6,572**	6,251
Current period	**1,594**	1,636	**6,249**	6,572
Reported growth	**(2.6%)**	(10.2%)	**(4.9%)**	5.1%
Local currency growth	**(2.1%)**	4.4%	**(0.4%)**	7.3%
Change in perimeter impact	**—**	0.5%	**—**	8.3%
FX impact	**(0.4%)**	(15.1%)	**(4.5%)**	(10.5%)

Group service revenue	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**1,505**	1,647	**6,056**	5,775
Current period	**1,484**	1,505	**5,855**	6,056
Reported growth	**(1.4%)**	(8.6%)	**(3.3%)**	4.9%
Local currency growth	**(0.9%)**	6.2%	**1.2%**	5.8%
Change in perimeter impact	**—**	0.5%	**—**	9.0%
FX impact	**(0.5%)**	(15.3%)	**(4.5%)**	(10.0%)

Group EBITDA	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**549**	603	**2,227**	2,109
Current period	**566**	549	**2,225**	2,227
Reported growth	**3.1%**	(9.0%)	**(0.1%)**	5.6%
Local currency growth	**1.4%**	3.0%	**4.3%**	9.0%
Change in perimeter impact	**—**	(0.5%)	**—**	9.6%
FX impact	**1.7%**	(11.4%)	**(4.4%)**	(13.1%)

Millicom
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