Millicom International Cellular S.A.

Société Anonyme

Audited annual accounts
as at and for the year ended 31 December 2016

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

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Principal activities and background

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

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

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

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

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

Group performance

In 2016, we made substantial progress towards our strategic goal of a two-fold reconfiguration of our business, rapidly growing mobile data and building cable whilst pushing ahead with major initiatives to enhance our operational efficiency.

The scope changes that occurred on 31 December 2015 make the performance and results of the Group not directly comparable between 2015 and 2016 – results for the year ended 31 December 2015 included Guatemala and Honduras fully consolidated whilst those for 2016 do not.

In 2016, total revenue for the Group was $4,374 million. In Colombia, our largest market, we saw competitive pressures throughout 2016, although easing somewhat at the end of the year.

Gross profit was $3,096 million, or a margin of 70.8%. Operating expenses represented 40.7% of revenue. Operational efficiencies achieved during the first year of our Project Heat initiatives underpinned our margins and cash flow, delivering a lower operating cost run rate as well as Capex and working capital savings during 2016.

Our operating profit amounted to $482 million, an 11% margin.

Net financial expenses were $372 million including one-off costs in respect of our tender offers in December 2016 for $300 million of outstanding bonds, and for the early redemption of our Swedish Krona bond due in 2017.

Profit before taxes at $71 million included the effects of the increase in interest expenses described above as well as the impairment of the value of our interest in LIH, an equity investment.

The Group net tax charge in 2016 was $180 million leaving a net loss for the year from continuing operations of $(109) million. The profit of $19 million from discontinued operations reflected the profit on the sale of our business in DRC. As a result, the net loss for the year was $(90) million. The share of losses of non-controlling interests was $58 million.

The net loss for the year attributable to Millicom owners was $32 million. Earnings per share was (0.32) cents.

Share Capital

At 31 December 2016 Millicom had 101.7 million issued and paid up common shares of par value $1.50 each, of which 1.4 million were held by the Company as treasury shares (2015: 1.6 million). During the year the Company acquired approximately 37,000 shares and issued around 208,000 shares to management and employees under the LTIP remuneration plans and approximately 8,000 shares to Directors as part of their annual remuneration.

Distribution to shareholders and proposed distributions

On 17 May 2016, at the Annual General Meeting of shareholders, a dividend distribution of $2.64 per share was approved, and subsequently paid to shareholders. This year's proposed dividend is consistent with distributions in 2015 and 2016.

Risks and uncertainty factors

The Group continues to operate in an industry and in markets which are characterized by rapid change and subject to macro-economic, competitive and political uncertainty. This change creates opportunities and at the same time a degree of risk. Many of the underlying risks are inherent in these markets, including the impact of regulation (including taxation), currency fluctuations, and underlying macro-economic conditions which impact our customers in their daily lives.

The telecommunications and content industries continue to evolve at an unprecedented pace, with access to the internet and streaming services gathering pace and spreading to all corners of the earth. Staying competitive in this increasingly diverse business requires constant innovation, in development of new products and services, delivery methods, and in quality of content, service and speed of delivery.

Access to, and investing capital in the right place at the right time are as important as ever, and decision making in this regard remains key to ensuring a balance of risk and return in the Group.

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

Financial risk management objectives and policies

Millicom's financial risk management policies and objectives together with a description of the various risks and hedging activities undertaken by the Group are set out in the Consolidated Financial Statements section of the Group Annual Report.

Controls and Risk Management in Preparation of the Group Annual Report

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

In application of the Article 68bis 1) of the Annex 1 to the Luxembourg Commercial Law, the management report shall include a corporate governance statement. The information required by this article is set out in our governance report 2016 publically available on the Company's website.

Non-Financial Information

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

Outlook for the Group

Based on constant currency, at a constant perimeter with Guatemala and Honduras fully consolidated, and on our current assessment of the macroeconomic outlook, we currently expect for 2017 organic service revenue growth to be in the low single-digit range, and ahead of the growth we achieved in 2016. Whilst we expect robust competition in Colombia to continue, and voice and SMS revenues across Latam to decline further through 2017, the lower weighting of these within our overall mix, combined with further strong growth in our mobile data, home and B2B revenues, allows us to be more confident about our revenue growth outlook in 2017.

We expect to make further progress in configuring our cost base in 2017, driven by both operational leverage and our Project Heat initiatives. We therefore expect to deliver organic growth in EBITDA in the mid-to-high single-digit range, and again higher than the growth seen in 2016.

By growing EBITDA and targeting our investment program on our areas of core revenue growth – fiber and 4G network roll-out with converged IT infrastructure – we expect to deliver Operating Cash Flow growth in 2017 of around 10%.

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 $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 approximately $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 $129 million. We have also initiated a process to sell our 22% stake in Helios Towers Africa.

RESULTS OF THE COMPANY

The net profit of the Company for the year ended 31 December 2016 amounted to $43,826,410 (2015: net loss of $401,394,955). The Board will propose to the Shareholders of the Company to bring forward the profit of the year.

Tom Boardman

Chairman of the Board of Directors

7 February 2017

MANAGEMENT RESPONSIBILITY STATEMENT

We, Mauricio Ramos, Chief Executive Officer and Tim Pennington, Chief Financial Officer, confirm, to the best of our knowledge, that these 2016 annual accounts which have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, give a true and fair view of the assets, liabilities, financial position and profit or loss of Millicom International Cellular S.A., and that the Directors' report includes a fair review of the development and performance of the business and the position of Millicom International Cellular S.A., together with a description of the principal risks and uncertainties that Millicom International Cellular S.A. faces.

Luxembourg, 7 February 2017

Mauricio Ramos	Tim Pennington
Chief Executive Officer	Chief Financial Officer

Building a better
working world

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Independent auditor's report

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

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 17 May 2016, we have audited the accompanying annual accounts of Millicom International Cellular, which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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 annual accounts give a true and fair view of the financial position of Millicom International Cellular S.A. as of 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The Directors’ report, which is the responsibility of the Board of Directors, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The corporate governance statement, as published on the Company’s website http://www.millicom.com/our-responsibility/ as of the date of this report is the responsibility of the Board of Directors. This statement is consistent, at the date of this report, with the annual accounts 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

Millicom International Cellular S.A.
Balance Sheet as at 31 December 2016

	Notes	2016	2015 represented (i)
ASSETS		**USD**	**USD**
Fixed assets			
Intangible assets	4		
Concessions, patents, licenses, trade marks and similar rights and assets , if they were acquired for valuable consideration and need not be shown under C.I.3		21,120,735	22,479,065
Tangible assets	5		
Other fixtures and fittings, tools and equipment		1,208,738	1,323,911
Payments on account and tangible assets in the course of construction		254,104	-
Financial assets	6		
Shares in affiliated undertakings		3,725,711,582	3,725,715,746
Participating interest		104,422,649	192,857,273
Other loans		142,166,952	146,206,677
		3,994,884,760	4,088,582,672
Current assets			
Debtors	7		
Amounts owed by affiliated undertakings			
becoming due and payable within one year		31,884,716	807,735,519
becoming due and payable after more than one year		251,838,836	125,000,000
Amounts owed by undertakings with which the company is linked by virtue of participating interests			
becoming due and payable within one year		1,970,949	5,366,896
Other debtors	3.2.16	33,060,900	2,388,549
Investments			
Own shares	8	59,875,240	90,707,790
Cash at bank and in hand		176,167,810	242,450,964
		554,798,451	1,273,649,719
Prepayments	9	23,874,379	39,530,970
TOTAL ASSETS		**4,573,557,591**	**5,401,763,362**

(i) See note 2.1

The accompanying notes are an integral part of these annual accounts

Millicom International Cellular S.A.

Balance Sheet as at 31 December 2016

	Notes	2016	2015 represented (i)
LIABILITIES		**USD**	**USD**
Capital and reserves	8		
Subscribed capital		152,608,826	152,608,826
Share premium account		396,387,195	365,554,644
Reserves			
Other reserve		(3,844,870)	-
Legal reserve		16,357,968	16,357,968
Reserve for own shares		59,875,240	90,707,790
Profit or (loss) brought forward		1,185,568,646	1,851,834,302
Profit or (loss) for the financial year		43,826,410	(401,394,955)
		1,850,779,414	2,075,668,575
Provisions			
Other provisions	10, 15	123,250,127	-
Creditors			
Debenture loans			
Non-convertible loans	10		
becoming due and payable after more than one year		1,769,632,993	2,098,888,117
Amounts owed to affiliated undertakings	11		
becoming due and payable within one year		170,257,935	1,114,233,204
becoming due and payable after more than one year		596,114,228	33,203,500
Amounts owed to undertakings with which the company is linked by virtue of participating interests			
becoming due and payable within one year		-	387,299
Other creditors			
Tax authorities		5,638,891	6,697,153
Social security authorities		965,371	356,049
Other creditors becoming due and payable within one year	12	55,980,271	72,329,466
		2,598,589,690	3,326,094,787
Deferred income		938,360	-
TOTAL LIABILITES		**4,573,557,591**	**5,401,763,362**

(i) See note 2.1

The accompanying notes are an integral part of these annual account

Millicom International Cellular S.A.
Profit and loss account for the year ended 31 December 2016

	Notes	2016	2015
			represented (i)
		USD	**USD**
Other operating income	13	188,067,145	193,218,406
Staff costs	14		
Wages and salaries		(27,164,535)	(26,387,871)
Social Security costs		(1,247,085)	(1,375,273)
Other staff costs		(1,186,449)	(1,666,593)
Value adjustments			
In respect of formation expenses and of tangible and intangible assets	4,5	(7,058,852)	(5,106,390)
In respect of current assets	7	(754,279)	(123,581,510)
Other operating charges	15	(205,251,406)	(202,132,825)
Income from participating interests	16		
derived from affiliated undertakings		322,832,755	47,905,299
Other interest and similar income			
derived from affiliated undertakings		3,839,462	16,877,491
other interest and similar income	17	106,414,012	10,715,794
Value adjustments in respect of financial assets and of investments held as current assets	18	(101,928,214)	(168,170,805)
Interest payable and similar expenses			
Concerning affiliated undertakings	6.1	(2,013,000)	(203,500)
Other interest and similar expenses	19	(226,748,978)	(129,768,221)
Tax on profit or loss	20	(3,974,167)	(11,718,957)
Gain/(Loss) after taxation		43,826,410	(401,394,955)
Gain/(Loss) for the financial year		**43,826,410**	**(401,394,955)**

(i) See note 2.1

The accompanying notes are an integral part of these annual accounts

NOTE 1— GENERAL INFORMATION

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

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

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

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

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

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

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

NOTE 2 — CHANGE OF ACCOUNTING POLICY AND PRESENTATION OF THE COMPARATIVE FINANCIAL DATA

2.1 Change of accounting policy

During the year, the Company changed its accounting policy with respect to the accounting of derivative financial instruments (see note 3.2.16). The purpose of this voluntary change in accounting policy is primarily to align the stand alone annual accounts of MIC S.A. to the consolidated financial statements of the Group.

(1) As from 1 January 2016, the Company opted to use the fair value model as described by the Law of 19 December 2002, as amended subsequently, art. 64bis. Prior to this change of accounting policy, the Company recognized derivative financial instruments as off-balance sheet items. As a result of this change, derivative financial instruments used for hedging purposes are measured at fair value based on their market value (Mark to Market) at the reporting date and they recorded under either "other provisions" (when fair value is negative) or "other debtors" (when fair value is positive) (note 3.2.16). The profit and loss impact is presented under "other interests and similar income" (unrealized gain) or in "other interests and similar expenses" (unrealized losses).

NOTE 2 — CHANGE OF ACCOUNTING POLICY AND PRESENTATION OF THE COMPARATIVE FINANCIAL DATA (continued)

(2) Similarly, since 2016, the "effective" part of the cash flow hedge instrument is recognized in "other reserve" in equity, while the "non-effective" part is recognized in the profit and loss account under the caption "other interests and similar expenses" (loss) or under the caption "other interest and similar income" (gain) (note 3.2.16).

(3) Until 31 December 2015, financial liabilities and assets, which are hedged by derivative instruments, were translated at the rate prevailing on the closing date (except in case of unrealized gain). Hedged items were translated at the higher (liabilities) or the lower (assets) between the historical costs and the translated amount prevailing on the closing date. As from 1 January 2016, hedged liabilities and assets and related hedging derivative instruments are translated at closing rate (see note 3.2.2).

The net impact of these changes on the profit and loss account is a net gain of $24 million as of January 1, 2016 and has been recorded in the 2016 profit and loss account under the captions "other interests and similar income" (note 17) and "other interests and similar expenses" (note 19). 2015 comparatives figures have not been restated. The impact on each line item of the financial statements is shown in the table below:

	As reported	Adjustments		Adjusted 1 January 2016
Other debtors	2,388,549	28,074,429	(1)	30,462,978
Other provisions	0	(66,577,795)	(1)	(66,577,795)
Other reserve	0	823,298	(2)	823,298
Non-convertible loans	(2,098,888,117)	61,912,762	(3)	(2,036,975,355)
Other interest and similar income	(10,715,794)	(90,616,911)	(1) (3)	(101,332,705)
Other interest and similar expenses	129,768,221	66,384,217	(1)	196,152,438

2.2 Presentation of the comparative financial data

The debenture loans origination and further amendments costs (Note 3.2.9) as at 31 December 2015 have been reclassified from "Formation Expenses" to "Prepayments" ($33.7 million).

The "amortization of debenture loans origination and further amendments costs" as at 31 December 2015 have been reclassified from "Value adjustments in respect of formation expenses and of tangible and intangible assets" caption to the caption "Other interest and similar expenses" ($6.8 million).

Furthermore, following the application of the Law of 18 December 2015, some captions were reclassified to ensure compatibility with the new Law.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention except for the use of the fair value option for financial derivative instruments (Note 3.2.16).

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies and valuation rules are, besides those prescribed by the Law of 19 December 2002, as amended subsequently, determined and applied by the Board of Directors. The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed.

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

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

3.2 Significant accounting policies

The principal accounting policies applied in the preparation of these annual accounts are set out below. These policies have been consistently applied to all years presented, unless as stated in note 2.1.

3.2.1 Going concern

The management is not aware of anything that would prevent the company from continuing as a going concern. The going concern basis of accounting has continued to be applied in preparing the annual accounts.

3.2.2 Foreign currency translation

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

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

Financial liabilities and assets, which are hedged by derivative instruments, were translated at the rate prevailing on the closing date until 31 December 2015 (except in case of unrealized gain). As from 1 January 2016, the accounting policy has been amended and as a result hedged liabilities and assets and related hedging derivative instruments are translated at closing rate (see note 2.1).

3.2.3 Intangible assets

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

- Licenses and trademarks rights: 5 years or the contract term if less
- Rights of use (IRUs) (note 3.2.4): 12 or 13 years term of the underlying contract
- Software: 3 years or the contract term if less

Depreciation is calculated on a straight line basis.

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

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.4 Indefeasible rights of use

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

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

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

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

If all of these criteria are not met, the IRU is treated as a service contract.
If an IRU is determined to be a lease, the following indicators need to be present in order for the capitalization of an IRU as a finance lease to be considered:

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

Otherwise the IRU will be considered as an operating lease.
A finance lease of an IRU of network infrastructure (cables or fiber) is accounted for as a tangible asset.
A finance lease of a capacity IRU (wavelength or capacity) is accounted for as an intangible asset.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.4 Indefeasible rights of use (continued)

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

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

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

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

3.2.5 Tangible assets

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

The depreciation rates and methods applied are as follows:

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

Depreciation is calculated on a straight line basis.

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

3.2.6 Financial assets

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

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

Annually or when certain operational and financial factors indicate an impairment of value, the Company evaluates the carrying value of the investments and the nominal value of the loans, in relation to the operating performance and future cash flows of the underlying assets. When indicated, the impairment losses are measured based on the difference between the estimated recoverable amount and the carrying amount of the asset. Management's estimates of recoverable amounts are based on the net present values of estimated future cash flows and valuations based on market transactions in similar circumstances.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.7 Debtors

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

3.2.8 Prepayments

Prepayments include expenditures incurred during the current year but relating to a subsequent financial year, as well as debenture loans origination and further amendments costs which are amortized on a straight line basis over remaining estimated debt periods based on the maturity of the financing agreements (see note 2.2).

3.2.9 Debenture Loans

Debenture loans are recorded at their reimbursement value. The debt origination and further amendments costs are included in prepayments (note 3.2.8).

3.2.10 Cash at bank and in hand

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

3.2.11 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise. See also note 3.2.16.

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

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

3.2.12 Share based compensation

Until May 2006, share options were granted to directors, management and key employees. The fair value of these options granted in exchange for the services received was recognized when the share options are exercised. Subsequent to May 2006, share awards under Long-Term Incentive Plans are granted to the directors, management and key employees. The cost of the LTIP awards is recognized on the date of issuance of the shares to the employees together with a corresponding increase in share premium. The cost is based on the market value of the shares at grant date. If shares are issued from treasury shares, when the value of the shares issued is higher than the acquisition cost of the treasury shares, the difference between both values is recorded in the share premium. When the value of the shares issued is lower than the acquisition cost of the treasury shares, the difference is recorded in the profit and loss account as an adjustment to the value of the treasury shares. Fair values are reported in the "Wages and Salaries" caption upon issuance of the shares related to the stock option and share awards plans.

3.2.13 Expense recognition

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

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.14 Other operating income

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

3.2.15 Leases

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

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

3.2.16 Derivative financial instruments

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

All financial derivative instruments were maintained off balance sheet until 31 December 2015. As from 1 January 2016 the Company opted to use the fair value model as described by the Law of 19 December 2002, as amended subsequently, art. 64bis. Derivative financial instruments used for hedging purposes are measured at fair value based on their market value (Mark to Market) at the reporting date and they recorded under either 'other provisions' (when fair value is negative) or 'other debtors' (when fair value is positive) (note 2.1). The profit and loss impact is presented under "other interests and similar income" (unrealized gain) or in "other interests and similar expenses" (unrealized losses).

For hedge accounting purposes, hedges are classified as either:

- Fair value hedges, when they hedge exposure to a change in the fair value of a recognized asset or liability, or of a firm commitment (except for currency risk); or

- Cash-flow hedges, when they hedge exposure to a change in cash flow arising from a specific risk associated with a recognized asset or liability, a highly probable future transaction or a currency risk on a firm commitment.

The "effective" part of the cash flow hedge instrument is recognized in "other reserve" in equity, while the "non-effective" part is recognized in the profit and loss account under the caption "other interests and similar expenses" (loss) or under the caption "other interest and similar income" (gain). Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit and loss (note 2.1).

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

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2.17 Own shares

Own shares are initially measured at acquisition cost and recognized as an asset with a corresponding non-distributable reserve created from share premium and retained earnings. Own shares are subsequently re-measured at the lower of cost or market value using the average cost. Transferred or cancelled shares are valued using the average cost method.

NOTE 4— INTANGIBLE ASSETS

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

	Total 31 December 2016 USD	Total 31 December 2015 USD
Cost		
Opening balance	35,716,795	38,076,286
Additions	4,377,727	784,019
Disposals	(5,316,651)	(3,143,510)
Closing balance	**34,777,871**	**35,716,795**
Amortization		
Opening balance	(13,237,730)	(8,491,026)
Amortization charge of the year	(4,602,311)	(4,884,571)
Disposals	4,182,904	137,867
Closing balance	**(13,657,137)**	**(13,237,730)**
Net book value		
Opening balance	22,479,065	29,585,260
Closing balance	21,120,735	22,479,065

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

NOTE 5 – TANGIBLE ASSETS

The movements were as follows:

	Total 31 December 2016 USD	Total 31 December 2015 USD
Cost		
Opening balance	6,230,225	6,335,554
Additions	2,903,378	469,506
Disposals	(2,184,098)	(574,835)
Closing balance	**6,949,505**	**6,230,225**
Depreciation		
Opening balance	(4,906,314)	(3,821,313)
Depreciation charge of the year	(2,456,540)	(1,600,527)
Disposals	1,876,190	515,526
Closing balance	**(5,486,664)**	**(4,906,314)**
Net book value		
Opening balance	1,323,911	2,514,241
Closing balance	1,462,842	1,323,911

NOTE 6 – FINANCIAL ASSETS

6.1 Shares in affiliated undertakings and participating interest

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

		Affiliated undertakings			
Name of the Company	**Country**	**Carrying value 2016** USD	**Carrying value 2015** USD	**Percentage of shares held 2016** %	**Percentage of shares held 2015** %
Millicom International Operations S.A.	Luxembourg	1,746,144,883	1,746,144,883	100	100
Shai Holding S.A.	Luxembourg	43,153	43,153	100	100
Millicom International Operations B.V.	Netherlands	994,831,999	994,831,999	11	11
Millicom Spain S.L.	Spain	984,653,671	984,653,671	100	100
Millicom Global Employment Company S.à r.l.	Luxembourg	19,887	19,887	100	100
Millicom International Services LLC	USA	100	100	100	100
Millicom Finance Ventures S.L.U	Spain	-	4,163	-	100
Millicom Services AB	Sweden	7,786	7,786	100	100
Millicom Services UK Ltd	United Kingdom	2	2	100	100
Millicom Digital Ventures B.V.	Netherlands	10,000	10,000	100	100
Millicom USA Holdings LLC	USA	100	100	100	100
Total		**3,725,711,582**	**3,725,715,746**		

NOTE 6 – FINANCIAL ASSETS (continued)

6.1 Shares in affiliated undertakings and participating interest

The carrying values of the participating interest are as follows:

		Carrying value 2016	Carrying value 2015	Percentage of shares held 2016	Percentage of shares held 2015
		USD	USD	%	%
MKC Brillant Services GmbH (1)	Germany	54,465,376	99,000,000	35	35
Africa Internet Holding GmbH (AIH) (2)	Germany	49,924,772	92,324,772	10.15	33.33
Kalixa JV (3)	United Kingdom	-	1,500,000	-	50
Other		32,501	32,501		
		104,422,649	**192,857,273**		

(1) Based on the annual impairment test performed during the year, management concluded that impairment losses should be recorded on Millicom's investment in MKC Brilliant Services GmbH for \$44.5 million. Impairment losses are recorded under the caption "Value adjustments in respect of financial assets and of investments held as current assets" in the profit and loss account (note 18).

(2) Various shareholder funding rounds were signed in late 2015 and in 2016. Millicom did not participate and therefore maintained its initial investment at Euro 70 million. As part of the shareholding restructuring, the Company also sold a portion of its investment to their existing shareholders realizing a loss of \$42 million (note 18). During 2016, these transactions have all been duly executed and as a result Millicom's shareholding in AIH has been reduced to 10%.

(3) During 2016, the Company decided to shut-down Kalixa business and fully impaired the investment.

Management is of the opinion that appropriate value adjustments have been made and that no durable depreciation on investments, other than those already impaired, exists as of 31 December 2016.

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

Note 6.2 – Other loans

In 2013, two of Millicom's subsidiaries had agreements with banks whereby the banks provided loans amounting to EUR 176 million to Millicom's subsidiaries with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the banks and entered into total return swaps. In March 2015 the deposit with one of the subsidiaries was reimbursed. The value of the remaining deposit amount as of 31 December 2016 is \$142 million (2015: \$146 million) with an interest income of \$8 million for the year (2015: \$12 million).

NOTE 7 – DEBTORS

Debtors are mainly composed as follows:

	Total 31 December 2016 USD	Total 31 December 2015 USD
Amounts owed by affiliated undertakings		
becoming due and payable within one year (1)	156,220,506	931,317,030
becoming due and payable after more than one year (2)	251,838,836	125,000,000
Value adjustments in amounts owed by affiliated undertakings becoming due and payable within one year (4)	(124,335,789)	(123,581,510)
Amounts owed by undertakings in which the company is linked by virtue of participating interests becoming due and payable within one year (3)	1,970,949	5,366,896
Other receivables becoming due and payable within one year (see note 10)	33,060,900	2,388,549
Total	**318,755,400**	**940,490,964**

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

(1)	Total 31 December 2016		
	Amounts owed by	**Amounts owed to**	**Net balance**
Chad Cellular	1,275,226	(696,107)	579,119
Millicom Americas LLC	1,668,465	(599,450)	1,069,015
Millicom Global Employment Company S.à r.l.	26,728,119	(12,375)	26,715,744
Millicom International Operations B.V.	5,201,665	(106,680)	5,094,985
Millicom International Operations S.A.	110,743,394	(110,743,394)	-
Millicom International Services Llc	10,281,454	(10,281,454)	-
Millicom Payment Solutions Ltd	6,622,007	-	6,622,007
Millicom Services U.K.	8,748,041	(8,748,041)	-
Millicom Spain, S.L.	59,937,171	(24,625,769)	35,311,401
Millicom Telecommunications S.A.	1,108,539	-	1,108,539
Senegal Cellular	19,094,752	(367,718)	18,727,033
Tanzania Cellular	6,899,320	(3,131,630)	3,767,690
Telefónica Celular del Paraguay S.A	1,823,320	(289,026)	1,534,295
X-Com Holding S.A.	1,561,582	(1,561,582)	-
others	57,373,231	(1,682,554)	55,690,677
	319,066,286	**(162,845,780)**	**156,220,506**

NOTE 7 – DEBTORS (continued)

(1)

	Total 31 December 2015		
	Amount owed by	**Amounts owed to**	**Net balance**
Colombia Cellular	3,963,937	(1,386,517)	2,577,420
Millicom Americas LLC	1,220,542	(39,817)	1,180,725
Millicom Global Employment Company S.à r.l.	24,467,070	(248,014)	24,219,056
Millicom Holding 100 B.V.	12,777,128	-	12,777,128
Millicom International Operations S.A.	1,769,539,308	(1,204,843,196)	564,696,112
Millicom International Services Llc	124,056,988	(122,193,461)	1,863,527
Millicom Payment Solutions Ltd	6,622,007	-	6,622,007
Millicom Services AB	27,022,482	(23,577,478)	3,445,004
Millicom Services U.K.	92,679,251	(76,024,650)	16,654,601
Millicom Spain, S.L.	139,893,653	(30,012,923)	109,880,730
Millicom Telecommunications S.A.	1,613,831	(514,014)	1,099,817
Rwanda Cellular	3,401,269	(533,979)	2,867,290
Sahara Ventures Ltd	4,818,689	-	4,818,689
Senegal Cellular	18,839,875	(401,034)	18,438,841
Tanzania Cellular	20,781,358	(4,689,761)	16,091,597
Telefónica Celular del Paraguay S.A	3,332,277	(368,606)	2,963,671
X-Com Holding S.A.	91,556,068	-	91,556,068
others	132,433,939	(82,869,192)	49,564,747
	2,479,019,671	**(1,547,702,641)**	**931,317,030**

The caption "Others" includes intercompany partners not individually material.

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

(2)

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

	Total 31 December 2015		
	Amount owed by	**Amounts owed to**	**Net balance**
Millicom Spain, S.L.	125,000,000	-	125,000,000
	125,000,000	**-**	**125,000,000**

NOTE 7 – DEBTORS (continued)

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

(3)	Total December 31 2016		
	Amounts owed by	**Amounts owed to**	**Net balance**
Telefonica Celular, S.A de C.V.	1,592,449	(16,679)	1,575,770
others	397,063	(1,885)	395,178
	1,989,512	**(18,564)**	**1,970,949**

	Total 31 December 2015		
	Amount owed by	**Amounts owed to**	**Net balance**
Telefonica Celular, S.A de C.V.	3,563,922	-	3,563,922
Others	1,815,922	(12,948)	1,802,974
	5,379,844	**(12,948)**	**5,366,896**

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

(4) Management concluded that impairment losses should be recorded on certain amounts owed by affiliated undertakings. Impairment losses are recorded under the caption "Value adjustments on current assets" in the profit and loss account for an amount of $0.8 million (2015 $124 million).

NOTE 8 – CAPITAL AND RESERVES

8.1 Share capital and share premium

The authorized share capital of the Company totals 133,333,200 registered shares (2015: 133,333,200) consisting of 101,739,217 (2015: 101,739,217) registered common shares at a par value of $1.50 each, of which 1,393,792 are owned by the Company (2015: 1,573,785).

In 2016, 215,827 shares were issued to management, directors, and employees (2015: 209,450).

8.2 Reserve for own shares

In 2016, the Company re-purchased 37,544 shares for $2 million (2015: 29,037 shares for $2 million), and transferred a similar amount from share premium to reserve for own shares as required under Luxembourg law.

At 31 December 2016, the Company has booked impairment on the value of the treasury shares amounting to $13.5 million (note 18) (2015: $52 million), in application of the Company' accounting policy for own shares (3.2.17).

8.3 Legal reserve

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

NOTE 8– CAPITAL AND RESERVES (continued)

8.4 Changes in shareholders' equity

The changes in shareholders' equity for 2016 and 2015 are shown below:

	Number of shares outstanding	Share capital USD	Share premium USD	Reserve for own shares USD	Other reserve USD	Legal reserve USD	Accumulated profits USD	Profit for the year USD	Total share-holders' equity USD
Balance as at December 31, 2015	**101,739,217**	**152,608,826**	**365,554,644**	**90,707,790**	**–**	**16,357,968**	**1,851,834,302**	**(401,394,955)**	**2,075,668,575**
Allocation of 2015 result	–	–	–	–	–	–	(401,394,955)	401,394,955	–
Dividends	–	–	–	–	–	–	(264,870,701)	–	(264,870,701)
Acquisition of Own shares	–	–	(2,139,400)	2,139,400	–	–	–	–	–
Transfer from reserve for own shares	–	–	13,493,590	(13,493,590)	–	–	–	–	–
Cash flow hedge reserve	–	–	–	–	(3,844,870)	–	–	–	(3,844,870)
Long term incentive plans	–	–	19,478,359	(19,478,359)	–	–	–	–	–
Profit for the year	–	–	–	–	–	–	–	43,826,410	43,826,410
Balance as at December 31, 2016	**101,739,217**	**152,608,826**	**396,387,195**	**59,875,240**	**(3,844,870)**	**16,357,968**	**1,185,568,646**	**43,826,410**	**1,850,779,414**

8.5 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).

8.6 Long-term incentive plans

The number of share awards expected to vest under the long term incentive plans is as follows:

Plan awards and shares expected to vest (number of shares)	**2016 Plans**		**2015 Plans**				**2014 Plans**		**2013 Plans**	
	Performance Plan	**Deferred plan**	**Performance Plan**	**Executive 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**	**136,960**
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 expected to vest	**189,072**	**259,361**	**70,540**	**40,664**	**51,563**	**147,746**	**39,412**	**83,308**	**n/a**	**n/a**

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

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 1 and 2, and the remaining 67% on 1 January of year 3. 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

NOTE 8– CAPITAL AND RESERVES (continued)

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.

Sign-on CEO Share Plan (one off 2015)

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.

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.

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% fulfilment 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 (issued in 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 3 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% fulfilment 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.

NOTE 8– CAPITAL AND RESERVES (continued)

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 plan is measured similarly to the Performance Share Plan issued in 2015, see above.

NOTE 9 – PREPAYMENTS

	Total 31 December 2016	Total 31 December 2015
	USD	USD
Unamortized loan origination costs	22,774,054	33,659,989
Other prepayments	1,100,325	5,870,982
	23,874,379	**39,530,970**

NOTE 10 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR

	After one year and within five years	More than five years	Total 31 December 2016	Total 31 December 2015
	USD	USD	USD	USD
SEK Senior Unsecured Notes 2017 (a)	-	-	-	298,888,117
SEK Senior Unsecured Notes 2019 (a)	219,632,993	-	219,632,993	-
$50 million Libor 6M + 2.25% (f)	50,000,000	-	50,000,000	-
$500 million 4,75% Senior Notes (b)	341,524,000	-	341,524,000	500,000,000
$800 million 6,625% Senior Notes (c)	658,476,000	-	658,476,000	800,000,000
$500 million 6% Senior Notes (d)	-	500,000,000	500,000,000	500,000,000
Total	**1,269,632,993**	**500,000,000**	**1,769,632,993**	**2,098,888,117**

The total interest expense on the above debts amounts to $157,444,684 for the year (2015: $110,855,367) and is presented in the "Other interest and similar expenses" caption (note 19).

a) 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. They were 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.

NOTE 10 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR (continued)

On 12 April 2016, Millicom offered to purchase for cash any and all of its SEK 0.25 billion (approximately $31 million) 5.125% Senior Unsecured Fixed Rate Notes due 2017 (the "Fixed Rate Notes") and its SEK 1.75 billion (approximately $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 $23 million) and SEK 1.498 billion (approximately $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.

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 $40 million) of principal were redeemed in October 2016.

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

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

b) $500 million 4.75% Senior Notes

On May 22, 2013 the Company issued a $500 million 4.75% fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations repayable in 7 years. Withheld costs of issuance of $10 million and paid costs of $12 million are presented under the caption "prepayment" and are being amortized over the life of the bond. In August 2015, Millicom obtained consent from its note holders 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 $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 for purchase $300 million in aggregate principal amount of the Notes of which $158 million of its 4.750% Senior Notes due 2020. The early redemption fees amounting to $3 million and $3 million of related unamortized costs have been expensed in December 2016 under "other interest and similar expenses".

c) $800 million 6.625% Senior Notes

On 16 October 2013 Millicom issued a $800 million bond repayable in 8 years. In August 2014, the funds were used to finance the Colombian Merger and were released from an escrow account six days prior to the completion of the merger. Withheld costs of issuance of $12 million are presented under the caption "prepayments" and are being amortized over the life of the bond. In August 2015 Millicom obtained consent from its note holders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/EBITDA.

NOTE 10 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR (continued)

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

d) $500 million 6% Senior Notes

On 11 March 2015 Millicom issued a $500 million 6% fixed interest rate bond repayable in 10 years, to repay the El Salvador 8% Senior Notes and for general corporate purposes. The bond was issued at 100% of the principal and has an effective interest rate of 6.132%. $7 million of withheld and upfront costs (recognized as prepayments) are being amortized over the 10 year life of the bond.

e) 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 decided to cancel the 2014 RCF and therefore accelerated the amortization of the upfront costs incurred in relation with the 2014 RCF and totaling 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 most recently completed financial year is within a specified range.

f) Term loan facility

In July 2016, MIC S.A. entered into a $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 6 month LIBOR + 2.25% per annum.

g) Guarantees

In the normal course of business, the Company has issued guarantees to secure some of the obligations of some of the Group's operations under bank and supplier financing agreements. As of 31 December 2016 the outstanding exposure for guarantees issued by the Company to cover debt and financing in the operations amounted to $640 million (2015: $643 million).

NOTE 10 - NON-CONVERTIBLE LOANS BECOMING DUE AND PAYABLE AFTER MORE THAN ONE YEAR (continued)

h) Currency and interest rate swap contracts

At 31 December 2016, the Company had the following material foreign currency swaps outstanding:

Notional amount in currency	Currency sold	Currency bought	Maturity date
750 million SEK (see note 10.a)	USD	SEK	April 18, 2018
600 million SEK (see note 10.a)	USD	SEK	April 18, 2018
650 million SEK (see note 10.a)	USD	SEK	April 18, 2018
134 million EUR (see note 6.2)	EUR	USD	May 20, 2020

Interest rate and currency swaps on SEK denominated debt

As described above, the SEK Bonds have been redeemed during the year. As a consequence, the Group has modified and extended the related interest rate and currency swaps until at least April 2018. The swaps are designated as cash flow hedge instruments 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 reserve in equity. At 31 December 2016, the fair values of the swaps amount to a liability of $83 million and has been recorded in “other provisions”.

Interest rate and currency swaps on Euro denominated debt

In June 2013 the Company entered into interest rate and currency swaps whereby the company will sell Euro’s and receive USD to hedge against exchange rate fluctuations on a 7-year Euro 134 million principal and related interest financing of its operation in Senegal. These hedges do not qualify for hedge accounting. Fluctuations in the value of those instruments are recorded through profit and loss. As at 31 December 2016 the value of the swap amounts to an asset of $32 million and has been recorded in “other debtors”.

This financing is connected to the down streaming of a portion of Millicom’s 4.75% bond

NOTE 11 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

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

	Total 31 December 2016		
	Amounts owed to	**Amounts owed by**	**Net balance**
Bolivia Cellular	(12,411,512)	596,049	(11,815,463)
Millicom Cable 201 N.V.	(6,900,000)	-	(6,900,000)
Millicom Holding B.V.	(5,852,198)	-	(5,852,198)
Millicom International Enterprises AB	(5,752,082)	-	(5,752,082)
Millicom International Operations S.A.	(118,065,305)	110,743,394	(7,321,911)
Millicom International Services Llc	(28,596,713)	10,281,454	(18,315,259)
Millicom International SL	(1,842,466)	-	(1,842,466)
Millicom International V N.V.	(2,274,399)	-	(2,274,399)
Millicom Services AB	(10,054,541)	203,161	(9,851,381)
Millicom Services U.K.	(21,624,120)	8,748,041	(12,876,079)
Millicom Spain, S.L.	(24,625,769)	24,625,769	-
X-Com Holding S.A.	(82,012,589)	(1,561,582)	(83,574,171)
others	(9,629,921)	5,747,395	(3,882,526)
	(329,641,616)	**159,383,681**	**(170,257,935)**

	Total 31 December 2015		
	Amounts owed to	**Amounts owed by**	**Net balance**
Drc Cellular	(1,005,177)	-	(1,005,177)
Ghana Cellular	(12,516,438)	7,445,355	(5,071,082)
MDV socialtvguide AB	(3,979,249)	1,273	(3,977,977)
Millicom Cable 201 N.V.	(4,600,000)	-	(4,600,000)
Millicom Digital Ventures AB	(1,483,469)	-	(1,483,469)
Millicom Holding B.V.	(69,121,927)	63,269,729	(5,852,198)
Millicom International II N.V.	(207,185,328)	328	(207,185,000)
Millicom International One SL	(11,460,000)	2,202,397	(9,257,603)
Millicom International Operations S.A.	(860,897,728)	-	(860,897,728)
Millicom International SL	(2,778,611)	936,145	(1,842,466)
Millicom International V N.V.	(2,389,895)	-	(2,389,895)
others	(270,069,202)	259,398,593	(10,670,609)
	(1,447,487,025)	**333,253,821**	**(1,114,233,204)**

NOTE 11 – AMOUNTS OWED TO AFFILIATED UNDERTAKINGS (continued)

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

	Total 31 December 2016		
	Amounts owed to	**Amounts owed by**	**Net balance**
Tanzania Cellular	(35,216,500)	-	(35,216,500)
Millicom International Operations S.A.	(560,897,728)	-	(560,897,728)
	(596,114,228)	**-**	**(596,114,228)**

	Total 31 December 2015		
	Amounts owed to	**Amounts owed by**	**Net balance**
Tanzania Cellular	(33,203,500)	-	(33,203,500)
	(33,203,500)	**-**	**(33,203,500)**

Amounts presented in "Others" include intercompany partners not individually material.

On 22 December 2014, the Company entered into an interest-free Loan Facility Agreement with Millicom Ireland Limited, which assigned the debt on the same date to Millicom International Operations S.A., from which an amount of $860,897,728 has been drawdown as of 31 December 2015. During 2016 Millicom International Operations S.A decided to distribute $300 million of that loan as return of Share Premium. The $300 million of dividend were set off with the actual payable to Millicom International Operations S.A. The remaining Loan Facility shall be repayable in whole or in part on demand by either lender or borrower, or both parties.

On November 24, 2014, the Company entered into an Intra-group Loan Agreement with MIC Tanzania Limited, maturing on November 24, 2018, for an amount of $33million and with an interest rate of 6% per annum.

On 26 October 2016, the Company entered into an interest free Loan facility agreement with Telefonica Celular de Bolivia, maturing on 26 May 2017, for an amount of $12 million.

NOTE 12 – OTHER CREDITORS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

As at 31 December 2016, amounts due to other creditors amounted to $55,980,271 (2015: $72,329,465) and mainly related to accrued interest payable on debt and accrued expenses for legal and professional fees.

NOTE 13 – OTHER OPERATING INCOME

Amount is composed as follows:

	Total 31 December 2016	**Total 31 December 2015**
	USD	USD
Value creation fees	158,301,794	161,858,636
Other intercompany revenue	19,123,264	17,293,796
Other revenue	10,642,088	14,065,975
	188,067,145	**193,218,406**

NOTE 14 – STAFF COSTS

The average number of permanent employees during 2016 was 81 (2015: 79).

NOTE 15 – OTHER OPERATING CHARGES

Amount is composed as follows:

	Total 31 December 2016 USD	Total 31 December 2015 USD
Director fees	1,042,469	1,057,790
Reversal of call option	-	15,000,000
Business support services	83,286,708	101,411,543
Bandwidth charges	14,211,559	11,307,298
Consultancy fees	6,521,071	10,805,709
Legal fees	11,335,296	13,896,888
Tax, accounting and audit charges	4,928,475	5,130,083
External services	22,229,204	20,714,204
Other (*)	61,696,624	22,809,309
	205,251,406	**202,132,825**

(*) Other operating charges include a provision of $24 million for risks concerning some of the Company’s subsidiaries for which the Company acts as guarantor as well as a provision for other expenses directly linked with the disposal of DRC (note 21). The provisions are presented in the caption “other provisions” of the balance sheet.

NOTE 16 – INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

In 2016, the Company received dividends of $323 million (2015: $48 million) including $23 million from Millicom International Operations B.V. (2015: $39 million), $ nil million from MKC Brillant Services GmbH (2015: $9 million) as well as $300 million from Millicom International Operations S.A. (2015: nil).

NOTE 17 – OTHER INTEREST AND SIMILAR INCOME

Amount is composed as follows:

	Total 31 December 2016 USD	Total 31 December 2015 USD
Interest income	9,542,203	10,715,794
Effect on change of accounting policy (see note 2.1)	90,616,911	-
Foreign exchange gain	905,948	-
Fair value movements on derivative instruments	5,348,949	-
	106,414,012	**10,715,794**

NOTE 18 – VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Amount is composed as follows:

	Total 31 December 2016 USD	**Total 31 December 2015** USD
Impairment of treasury shares (note 8)	13,493,591	52,197,931
Impairment on the issuance of LTIP shares	-	5,551,603
Impairment of shares in affiliated undertakings (note 6.1)	-	77,273,000
Impairment of shares in undertakings with which the company is linked by virtue of participating interest (note 6.1)	88,434,624	33,148,272
Total	**101,928,214**	**168,170,805**

NOTE 19 – OTHER INTEREST AND SIMILAR EXPENSES

	Total 31 December 2016 USD	**Total 31 December 2015** USD
Interest on bonds/loans	157,444,684	110,710,531
Effect on change of accounting policy (see note 2.1)	66,384,217	-
Foreign exchange loss	-	10,756,852
Other	2,920,077	8,300,838
Total	**226,748,978**	**129,768,221**

NOTE 20 – TAX ON PROFIT OR LOSS

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

Tax charges for 2016 comprised withholding taxes on consultancy, royalty and technical fees charged to affiliated companies for $4 million (2015: $12 million).

The Company has tax losses carried forward of $3,170 million (2015: $2,062 million) which do not expire.

NOTE 21– COMMITMENTS AND CONTINGENCIES

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

As of 31 December 2016, the total amount of claims, litigation and tax risks against the Company was $15 million (2015: $19 million) on 2016 nil was provided (2015: nil).

At 31 December 2016 the Company had fixed commitments to purchase network products of $4 million which are due within 3 years.

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).

NOTE 21– COMMITMENTS AND CONTINGENCIES (continued)

As previously disclosed, in June 2015, Millicom identified that an incorrect filing related 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.

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 interim condensed consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly no provision has been recorded as of December 31 2016.

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 $160 million adjusted for working capital movements and including $10 million of cash hold-back subject to the completion of the disposal of the mobile financial services business (DRC Mobile Cash). The transaction has been 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. The separate disposal of DRC Mobile Cash has been completed in September 2016. As a result, $10 million of the cash hold-back had been received in October 2016.

Dividends

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

NOTE 22 – RELATED PARTY TRANSACTIONS

Subsidiaries, joint-ventures and associates of Millicom Group

The Company conducts transactions with subsidiaries, joint-ventures and associates of Millicom Group on normal commercial terms and conditions. These transactions may include loans granted / received to / from group entities (notes 7 & 11), intercompany recharges in connection with delivery / reception of services (note 13) and other operations.

Kinnevik

Millicom's principal shareholder is Investment AB Kinnevik ("Kinnevik"). Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At 31 December 2016, 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.

NOTE 22 – RELATED PARTY TRANSACTIONS (continued)

During 2015, LIH contributed its investments in its operating subsidiaries Kanui and Tricae to Global Fashion Group in a share for share transaction. Global Fashion Group is partly owned by Rocket Internet and Kinnevik.

During 2015 and 2014 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

NOTE 23 – AUDIT FEES

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

NOTE 24 – SUBSEQUENT EVENTS

Dividend

On 7 February 2017 the Board decided to propose to the Annual General Meeting of the Shareholders a dividend distribution of $2.64 per share to be paid out of Millicom's retained earnings at 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 approximately $19 million.

Tigo Senegal and HTA

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