COMCEL TRUST
Combined Financial Statements
For the year ended 31 December 2017

26 April 2018

Independent auditor's report on the combined financial statements

To the Shareholders of
Comunicaciones Celulares, S.A.

Opinion

We have audited the combined financial statements of the entities under control of Millicom International II N.V. and Miffin Associates Corp operating in Guatemala ("Tigo Guatemala" or the "Group"), which comprise the combined statement of financial position as of December 31st 2017, and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Tigo Guatemala as of December 31st 2017 and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the combined financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the combined financial statements in Guatemala, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the combined financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the combined financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying combined financial statements.

1. Revenue recognition
   The Group's revenue consists of mobile and data telephony services, corporate solutions, fixed-line broadband, fixed-line telephone, cable TV and mobile financial services to retail and business customers.

   Revenue from mobile and data telephony services, corporate solutions, fixed-line broadband, fixed-line telephone and cable TV products is considered a significant risk due to both the bundling of these services and the complexity of the Group's systems and processes used to record revenue. Also, the application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates and the high volume of transaction leading to heightened susceptibility to manipulation.

To address this significant risk, our audit procedures over revenue included, among others:

- Testing of controls, assisted by our information technology specialists, including those over: set-up of customer accounts, pricing data, segregation of duties, and the linkage to usage data that drives revenue recognition.
- Testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger. These testing included validating material journals processed between the billing systems and general ledger.
- Testing a sample of transactions for the main revenue streams: prepaid, postpaid, interconnection and telephone and equipment, tracing back the transaction to the supporting documentation.
- Performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills.
- Substantively reviewing the deferred income, through validation reports used in its determination at period end.
- Testing cash receipts for a sample of customers back to the corresponding invoice.
- Performing analytical procedures over the different revenue streams and deferred revenue and confronting the results of said procedures against our expectations based on industry benchmarks, and against certain key performance indicators taking into consideration disconnections, installations, changes in rates and trends in deferred revenue days, among others.

We also assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition set out in 2.18.

2. Litigations and claims
The Group is involved in various legal matters. We refer to the caption litigation and legal risks of the note 24 Commitments and contingencies of the combined financial statements for further details. We focused on this area because of the potential significance of these litigations and claims. The assessment as to whether or not a liability provision should be recognized in the combined financial statements and whether amounts can be reliably estimated includes, to a certain extent, judgment from management.

Our procedures included, amongst others, an assessment of the legal advice obtained by the group of companies in Guatemala as well as periodic meetings with management and review of board minutes to discuss developments in legal proceedings and asserted claims. We also obtained confirmations from the Group's external legal counsels in order to compare their expert opinions to management's position on measurement and/or disclosures for each of the material assessment in the combined financial statements.

3. Capitalization of property, plant, and equipment and intangible assets with definite useful lives and assessment of useful lives
There are a number of areas where management judgement impacts the carrying value of property, plant and equipment, software intangible assets and their respective depreciation and amortization profiles. These include, amongst others, (i) the decision to capitalize or expense costs; (ii) the annual asset life review, and (iii) the timeliness of the transfer from assets in the course of construction.

Our audit procedures, amongst others, included testing the controls in place over the property, plant and equipment as well as intangible assets' cycle, evaluating capitalization policies, performing tests of details on costs capitalized and assessed the timeliness of the transfer of assets in the course of construction. In performing these procedures, we analyzed the nature of underlying costs capitalized as part of the cost of the network, and the appropriateness of useful lives applied in the calculation of depreciation and amortization, through assessing management assumptions over the carrying value and useful economic life by consideration of internal and external available data.

4. Information technology systems and controls
   Tigo Guatemala is strongly dependent on its information technology infrastructure for the processing, generation and maintenance of reliable financial information. We placed a high level of reliance on the Group's information technology system and key internal controls. As a result, a significant proportion of our audit effort was conducted in this area.

   We understood and assessed the overall information technology control environment and the controls in place which included controls over access to systems and data, as well as system changes. We tailored our audit approach based on the relevance of information systems to the financial reporting and whether there were automated procedures supported by those systems.

   The procedures performed, amongst others, included testing the operating effectiveness of controls over appropriate access rights and validating that only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. In addition, we tested the operating effectiveness of controls around systems' development and program changes to establish that changes to the system were appropriately authorized and also developed and implemented properly.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Guillermo Varela.

ERNST & YOUNG S.A.
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Guatemala City, Guatemala
April 26, 2018

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Audited Combined Financial Statements of Tigo Guatemala Companies for the Year Ended 31 December 2017.

Combined Income Statement for the year ended 31 December 2017

US$ '000	Notes	2017	2016
Revenue	5	1,321,376	1,279,277
Cost of sales	5	(242,854)	(249,807)
Gross profit	5	**1,078,522**	**1,029,470**
Operating expenses	5	(417,538)	(402,158)
Depreciation and amortization	5	(205,995)	(189,191)
Other operating expenses, net	5	(17,624)	(20,575)
Operating profit	5	**437,365**	**417,546**
Interest expense	17	(72,922)	(75,374)
Interest and other financial income		13,294	2,362
Foreign exchange gain (loss), net		12,542	3,336
Profit before taxes		**390,279**	**347,870**
Charge for taxes, net	7	(74,055)	(66,803)
Net profit for the period		**316,224**	**281,067**

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

Combined Statement of Comprehensive Income for the year ended 31 December 2017

US$ '000	2017	2016
Net profit for the period	316,224	281,067
Other comprehensive income, net of tax:		
Item that may be reclassified to the income statement in subsequent periods		
Exchange differences on translation of operations to the US dollars reporting currency	12,247	4,667
Total comprehensive income for the period	**328,471**	**285,734**

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

Combined Statement of Financial Position as at 31 December 2017

US$ '000	Notes	31 December 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	8	150,835	138,620
Property, plant and equipment, net	9	646,836	689,365
Deferred tax assets	7	11,989	8,479
Amounts due from related parties (non-current)	25	225,010	201,240
Income tax assets	7	6,624	8,048
Supplier advances for capital expenditure	13	6,106	24,368
Other non-current assets		2,910	1,099
TOTAL NON-CURRENT ASSETS		**1,050,310**	**1,071,219**
CURRENT ASSETS			
Inventories	10	29,704	16,591
Trade receivables, net	11	55,446	44,659
Amounts from related parties	25	279,174	261,532
Prepayments and accrued income	12	29,374	31,489
Other current assets		28,518	15,825
Restricted cash	14	5,254	4,203
Cash and cash equivalents	14	295,617	283,525
TOTAL CURRENT ASSETS		**723,087**	**657,824**
TOTAL ASSETS		**1,773,397**	**1,729,043**

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

Combined Statement of Financial Position as at 31 December 2017 (continued)

US$ '000	Notes	31 December 2017	31 December 2016
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	15	14,009	14,009
Equity contribution reserve		10,734	9,187
Other reserves		106,008	93,761
Retained profits		376,035	365,471
TOTAL EQUITY		**506,786**	**482,428**
LIABILITIES			
Non-current liabilities			
Other debt and financing	17	995,598	988,521
Provisions and other non-current liabilities	21	45,304	40,896
Deferred tax liabilities	7	6,258	4,061
Total non-current liabilities		**1,047,160**	**1,033,478**
Current liabilities			
Amounts due to related parties	25	19,040	13,837
Payables and accruals for capital expenditure	18	33,127	56,055
Trade payables	19	38,454	23,952
Accrued interest and other expenses	20	71,366	74,159
Current income tax liabilities	7	8,120	6,863
Provisions and other current liabilities	21	49,344	38,271
Total current liabilities		**219,451**	**213,137**
TOTAL LIABILITIES		**1,266,611**	**1,246,615**
TOTAL EQUITY AND LIABILITIES		**1,773,397**	**1,729,043**

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

Combined Statement of Cash Flows for the year ended 31 December 2017

US$ '000	Notes	31 December 2017	31 December 2016
Cash flows from operating activities			
Profit before taxes		**390,279**	**347,870**
Adjustments to reconcile to net cash:			
Interest expense		72,922	75,374
Interest and other financial income		(13,294)	(2,362)
Foreign exchange (gain) / loss, net		(12,542)	(3,336)
Adjustments for non-cash items:			
Depreciation and amortization	8,9	205,995	189,191
Loss on disposal and impairment of assets		19,639	20,865
Share-based compensation	16	1,547	1,479
		664,546	**629,081**
(Increase) / Decrease in trade receivables, prepayments and other current assets		(19,541)	6,732
(Increase) / Decrease in inventories		(12,487)	8,819
Increase / (Decrease) in trade and other payables		20,858	(32,367)
Changes in working capital		**(11,170)**	**(16,816)**
Interest paid		(69,944)	(69,632)
Interest received		3,897	2,282
Taxes paid		(73,200)	(73,787)
Net cash provided by operating activities		**514,129**	**471,128**
Cash flows from investing activities:			
Acquisition of subsidiaries, net of cash acquired	4	(1,006)	(4,699)
Purchase of property, plant and equipment	9	(145,250)	(158,344)
Purchase of intangible assets	8	(30,241)	(16,569)
Proceeds from sale of property, plant and equipment		412	283
Net increase (decrease) in restricted cash		732	(764)
Net cash used by investing activities		**(175,353)**	**(180,093)**
Cash flows from financing activities:			
Proceeds from shareholders' loans repayments		—	317,709
Payment of dividends, advances and shareholders loans	25	(323,180)	(467,356)
Net cash used by financing activities		**(323,180)**	**(149,647)**
Exchange gains on cash and cash equivalents, net		(3,504)	(9,413)
Net increase in cash and cash equivalents		**12,092**	**131,975**
Cash and cash equivalents at the beginning of the year		283,525	151,550
Cash and cash equivalents at the end of the year		**295,617**	**283,525**

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

Combined Statements of Changes in Equity for the years ended 31 December 2017

US$ '000	Share capital (000's)	Equity Contribution Reserve (i) (000's)	Other reserves (iii) (000's)	Retained earnings (000's)	Total equity (000's)
Balance on 31 December 2015	**14,009**	**7,708**	**89,094**	**400,211**	**511,022**
Profit for the year…………………………………	—	—	—	281,067	281,067
Currency translation differences………………...	—	—	4,667	—	4,667
Total comprehensive income for the period.......	—	—	**4,667**	**281,067**	**285,734**
Dividends (ii)………………………………………	—	—	—	(315,807)	(315,807)
Share based compensation…………………….	—	1,479	—	—	1,479
Balance on 31 December 2016	**14,009**	**9,187**	**93,761**	**365,471**	**482,428**
Profit for the year…………………………………	—	—	—	316,224	316,224
Currency translation differences………………...	—	—	12,247	—	12,247
Total comprehensive income for the period.......	—	—	**12,247**	**316,224**	**328,471**
Dividends (ii)………………………………………	—	—	—	(305,660)	(305,660)
Share based compensation…………………….	—	1,547	—	—	1,547
Balance on 31 December 2017	***14,009***	***10,734***	***106,008***	***376,035***	***506,786***

(i) *Share-based compensation – see note 16.*
(ii) *Dividends – see note 22.*
(iii) *Other reserves include legal reserves of $ 106 million and currency translation differences for $12 million in 2017 (2016 $(5) million, 2015 $(3) million). Legal reserves are not distributable.*

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

Notes to the Combined Financial Statements for the year ended 31 December 2016

1. ORGANIZATION

The combined financial statements are composed of 9 companies (the "Combined Group" or "Tigo Guatemala Companies") as detailed in the table below:

Name of the company	Country
Comunicaciones Celulares, S.A………	Guatemala
Comunicaciones Corporativas, S.A.	Guatemala
Servicios especializados en Telecomunicaciones, S.A................	Guatemala
Distribuidora de Comunicaciones de Occidente, S.A...................	Guatemala
Distribuidora Central de Comunicaciones, S.A.	Guatemala
Distribuidora de Comunicaciones de Oriente, S.A.	Guatemala
Distribuidora Internacional de Comunicaciones, S.A.	Guatemala
Servicios Innovadores de Comunicación y Entretenimiento, S.A..	Guatemala
Navega.com, S.A……………………………………………………… .	Guatemala
Intertrust SPV (Cayman) Limited.	Cayman

Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, is a trust established and consolidated by Comunicaciones Celulares, S.A. for the purposes of the bond issued (refer to note 17). The Comcel Trust is not a separate legal entity under Cayman Islands law. Intertrust SPV (Cayman) Limited as Trustee carries out the purposes for which the Comcel Trust was established. All references herein to the Comcel Trust shall be construed as references to Intertrust SPV (Cayman) Limited acting as Trustee under the Declaration of Trust.

In January 2014, the Comcel Trust issued a bond of $800 million which is guaranteed by Comunicaciones Celulares, S.A. and is listed on the Luxembourg Stock Exchange. In accordance with IFRS, the Comcel Trust is consolidated within the combined Tigo Guatemala Companies.

With the proceeds of this bond, Comunicaciones Celulares, S.A. entered into a senior unsecured loan ("the Loan") with Credit Suisse AG, Cayman Islands Branch. The proceeds of the bond were used by the Comcel Trust to purchase a 100% participation interest in the Loan pursuant to a credit and guarantee. The Loan between the Comcel Trust, Credit Suisse and Comunicaciones Celulares, S.A. has been set up in a way such that, under IFRS, the Tigo Guatemala Companies have derecognized both its asset and liability towards Credit Suisse from the date of the agreement.

The Companies have combined their financial statements in order to comply with the reporting requirements stipulated in the global program of the emission of a senior bond for a total of US$800 million, of which the Companies are guarantors. The combined financial statements are intended for use by such investors.

Our Combined Financial Statements only include subsidiaries of the Tigo Guatemala Companies located in Guatemala and therefore do not consolidate other subsidiaries outside Guatemala that are not material over which the Combined Group has control as of, and for, the periods presented. These subsidiaries represented less than 1% of the combined total revenue, less than 1% of the combined EBITDA, 1% of the combined total assets and less than 1% of the combined total liabilities of the Combined Group as of, and for the twelve-month period ended 31 December 2017.

The Combined Group provides mobile and data telephony services, corporate solutions, fixed-line broadband, fixed-line telephone, cable TV and mobile financial services to retail and business customers in Guatemala.

All Tigo Guatemala Companies have registered offices located at Km 9.5 Carretera a El Salvador, Plaza Tigo Sta. Catarina Pinula, Guatemala. They are owned jointly by Millicom Group ("MIC Group"), whose ultimate holding company is Millicom International Cellular S.A. ("MIC") and by Miffin Associates Corp together the "Combined Group owners".

The Combined Group shareholders are Millicom Group and Miffin which own respectively 55% and 45% interests in each of the Tigo Guatemala Companies. Those entities form one single business in substance as all of the entities have one single common management. The Combined Group is governed by a shareholders' agreement.

1. ORGANIZATION (Continued)

The representatives to the Board of Directors ("Board") of Comunicaciones Celulares, S.A. and the other Tigo Guatemala companies have authorized for issue these combined financial statements on 26 April 2017.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The companies composing the Combined Group are all companies in the telecommunication sector which are all owned 55% by Millicom International II, N.V. and 45% by Miffin Associates Corp. Entities are fully combined from the date on which they are transferred to the Combined Group. They are de-combined from the date that relation ceases.

The combined financial statements of the Combined Group have been prepared on the basis of accounting policies, and presented in accordance with presentation and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("IFRS").

As used in these notes to combined financial statements, the terms "the Combined Group", "the Group", "the Company", "we", "us", "our", and similar terms refer Tigo Guatemala Companies as described in note 1, unless the context indicates otherwise.

The combined financial statements are presented in US dollars and all values are rounded to the nearest thousand ($ '000) except when otherwise indicated. The combined financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying IFRS. 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in note 3.

2.2 Combination

The combined entities and the combined financial statements have the same calendar year closing and use consistent accounting policies for each year presented. All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated. Companies linked to one another by combination are integrated through the aggregation of accounts, in accordance with rules identical to those for full consolidation.

The acquisition method of accounting is used to account for acquisitions where there is a change in control (i.e. when the Combined Group owners obtain control over another entity or business). The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Combined Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the business acquired, the difference is recognized directly in the income statement. All acquisition related costs are expensed. Figures from entities entering into the combination are added to the figures of the existing combination at the time of the entry into the Combined Group.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

Functional and presentation currencies

Items included in the financial statements of each of the Combined Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency reflects the economic substance of the underlying events and circumstances of these entities. Given the purposes of the Combined Group's combined financial statements, those are presented in U.S. dollars (the "presentation currency") while the functional currency of all entities is the Guatemalan Quetzal.

The following table presents relevant currency translation rates to the U.S. dollar as at 31 December 2017 and 2016 and average rates for 2017 and 2016.

Country	Currency	2017 Average rate	2017 Year-end rate	2016 Average rate	2016 Year-end rate
Guatemala	Quetzal	7.36	7.34	7.61	7.52

Transactions and balances

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 combined income statement, except when deferred in equity as qualifying cash flow hedges.

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the statement of cash flows in order to reconcile cash and cash equivalents at the beginning and end of the year.

Translation into presentation currency

The results and financial position of all Combined Group entities are translated into US dollar as follows:

i) Assets and liabilities are translated at the closing rate at 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 ("Other reserves").

When a combined entity is sold, exchange differences that were recorded in equity are recognized in the combined income statement as part of gain or loss on sale.

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

2.4 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 items under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items. The carrying amount of replaced parts is derecognized.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (continued)

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 are:

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

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 Combined Group. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commenced.

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 Combined Group and the cost of the item can be measured reliably. 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.

A liability for the present value of the cost to remove an asset on both owned and leased sites is recognized when a present obligation for the removal exists ("asset retirement obligations"). The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset.

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 result in future economic benefits for the Combined Group and the costs can be measured reliably.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the combined income statement in the year in which expenditure is incurred.

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 the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the combined income statement in the expense category consistent with the function of the intangible assets.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.5 Intangible assets (Continued)

Goodwill

Goodwill represents the excess of cost of an acquisition, over the Combined Group owners' share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired business at the date of the acquisition. If the fair value of identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can only be determined provisionally, then the Combined Group initially accounts for goodwill using provisional values. Within twelve months of the acquisition date, the Combined Group then recognizes any adjustments to the provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities 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". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Combined Group's cash generating units 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 Combined 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 Combined 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 of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. 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.

Programming and content rights

Programming and content master rights which are purchased 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. 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 not included. Licenses were all renewed for 20 years on December 2012 and January 2013.

Trademarks and customer bases

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 finite useful lives and 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:

Trademarks..	1 to 15 years
Customer bases..	4 to 9 years

Indefeasible Rights of Use

The main types of indefeasible rights of use (IRU) and capacity agreements are:
- Purchase of specified infrastructure;
- Purchase of lit fiber capacity;
- Exchange of network infrastructure or lit fiber capacity.

These are either accounted for as leases (finance or operating), service contracts, or partly as leases and partly as service contracts. Finance leases are treated as CAPEX (capital expenditures), while operating leases and service contracts are classified as OPEX (operating expenditures). Classification depends on an assessment of the characteristics of the arrangements.

A network capacity contract should be accounted for as a lease if, and when:
- The purchaser has an exclusive right to the capacity 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 the arrangement is, or contains a lease, the lease is classified as either an operating lease or a finance lease. A finance lease of an IRU of network infrastructure is accounted for as a tangible asset. A finance lease of a capacity IRU is accounted for as an intangible asset.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

Indefeasible Rights of Use **(Continued)**

According to industry practice the useful life of a fiber IRU is 15 years. Under IAS 17 'Leases', to be considered as a finance lease, the lease agreement must be for a major part of the useful life of the asset. As the useful life of specific capacity is related to the underlying fiber, in industry practice, fiber and capacity IRU agreements exceeding 12 years are to be accounted as finance leases.

If the capacity IRU is to be transmitted on fiber which is already in use, then it should be capitalized as a finance lease if the finance lease criteria are met, and the contract period is at least 80% of the remaining useful life of the underlying fiber. Judgment should be applied if other circumstances indicate that designation as a finance lease or operating lease may not be appropriate.

2.6 Impairment of non-financial assets

At each reporting date the Combined Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Combined Group makes an estimate of the asset's recoverable amount. The Combined Group determines the recoverable amount 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 combined 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.

2.7 Loans and receivables

Loans and receivables (from related parties or from third parties) 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 maturities greater 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. Gain and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2.8 Inventories

Inventories (which mainly consist of mobile telephone handsets and related accessories) are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.9 Trade receivables

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 Combined 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 combined income statement within "Cost of sales".

2.10 Deposits

Time deposits

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

Pledged deposits

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

2.11 Cash, cash equivalents and restricted cash

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 held with banks related to mobile financial services which is restricted in use due to local regulations is denoted as restricted cash.

2.12 Impairment of financial assets

The Combined Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the combined income statement.

2.13 Equity contribution

Common shares are classified as equity. Equity contribution presented in the combined financial statements is the sum of the equity contribution from the parents of the combined entities as presented and described under Note 1.

2.14 Borrowings

Borrowings are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition borrowings are subsequently measured at amortized cost using the effective interest rate method. 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 combined income statement over the period of the borrowing.

Borrowings (including accrued or capitalized interest) are classified as current liabilities unless the Combined Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

2.15 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

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 Combined Group will obtain ownership by the end of the lease term.

Operating leases

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

2.16 Provisions

Provisions are recognized when the Combined 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 Combined 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.

2.17 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.

2.18 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating intra-group sales.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Combined Group and the revenue can be reliably measured. The Combined Group operates the following revenue streams:

- Recurring revenue from telecom services consist of monthly subscription fees, airtime 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. Recurring revenues are recognized on an accrual basis, i.e. as the related services are rendered.
- Accrued income or airtime usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.
- Subscription products and services are deferred and amortized over the estimated life of the customer relationship. Related costs are also deferred, to the extent of the revenues deferred, and amortized over the estimated life of the customer relationship. The estimated life of the customer relationship is calculated based on historical disconnection percentage for the same type of customer.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

- Where customers purchase a specified amount of airtime in advance, revenue is recognized as airtime credit is used. Unused airtime credit is carried in the statement of financial position as deferred revenue within "other current liabilities".
- Revenue from content services such as video messaging, ringtones, games etc., are recognized net of payments to the providers under certain conditions including if the providers are responsible for the content and for determining the price to be paid by the customer. For such services the Combined Group is considered to be acting in substance as an agent. Other revenue is recognized gross.
- 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.
- Revenue arrangements with multiple service deliverables ("Bundled Offers") such as various services sold together are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values or on the residual method. Revenue is then recognized separately for each unit of accounting.
- Revenue from sale of capacity is recognized when the capacity has been delivered to the customers, based on the amount expected to be received from customers.
- Revenue from provision of mobile financial services is recognized once the primary service has been provided to the customer.
- Revenue from cable subscription, which do not vary according to usage, are recognized straight line evenly over the service period. Revenue from separate fees paid by cable subscribers for individual movies or special programs is recognized when the service is rendered. Revenue generated from sale of advertising carried on the transmission facilities is recognized in the period in which commercials or programs are broadcast. If the advertising arrangement is completed in phases, then revenue is recognized as each phase is completed.

2.19 Cost of sales

The primary cost of sales incurred by the Combined Group in relation to the provision of telecommunication services relate to interconnection costs, roaming costs, rental of leased lines, costs of handsets and other accessories sold, and royalties. Cost of sales is recorded on an accrual basis.

2.20 Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are recorded as sales and marketing expenses when the customer is activated.

2.21 Employee benefits

Share based compensation

Share awards are granted to management and key employees of the Combined Group. Awards are settled in shares of MIC.

The cost of share-based compensation is based on the fair value (market value) of the shares on grant date and, is recognized, together with a corresponding increase in equity contribution reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date). The cumulative expense recognized for share-based compensation at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Combined 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, which are treated as vested irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of a share-based compensation 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.22 Taxation

Current tax

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 at the statement of financial position date.

Deferred tax

Deferred income tax is provided using the liability method and calculated from 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 income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and the carry-forward of unused tax credits and unused tax losses 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 income 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 the deferred income tax asset. Unrecognized deferred income 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 deferred tax asset to be recovered.

Deferred income 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.

Income tax relating to items recognized directly in equity is recognized in equity and not in the combined income statement. Current and 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.

2.23 Changes in accounting policies

The following IFRS standards and amendments to standards have been adopted by the Combined Group on 1 January 2017 with no material impact to the combined financial statement.

- 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.

  This amendment did not have a material impact for the Group. The disclosure required has been added to these consolidated financial statements, see note 26.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

- 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.

2.23 Changes in accounting policies (Continued)

This amendment did not have a material impact for the Combined Group.

New standards and interpretations not yet adopted by the Combined Group
The following IFRS standards, amendments and interpretations issued are not effective for the financial year beginning 1 January 2017 and have not been early adopted by the Combined Group.

- 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 Combined Group will adopt the accounting standard on 1 January 2018, and identified a limited impact on its Combined Group financial statements. IFRS 15 mainly affects the timing of recognition of revenue as it introduces more differences between the billing and the recognition of the revenue. However, it will not affect the cash flows generated by the Combined Group.

  As a consequence of adopting this standard in 2018:

  1) Some revenue will be recognized earlier, as a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception (i.e. typically a subsidized handset). Therefore, this will produce a shift from service revenue (which will decrease) to the benefit of telephone and equipment revenue. This will result in the recognition of a contract asset on the statement of financial position as more revenue is recognized upfront while the cash will be received along the subscription period (which is usually between 12 to 36 months). Contract assets (and liabilities) will be reported on a separate line in current assets even if their realization period is longer than 12 months. This is because they are realized / settled as part of the normal operating cycle of our core business;

  2) The cost incurred to obtain a contract (mainly commissions) will be capitalized in the statement of financial position and amortized over either the average customer retention period or the contract term, depending on the circumstances. This will result in the recognition of a contract costs capitalized on the statement of financial position;

  3) There will be no material changes for the purpose of determining whether the Combined Group acts as principal or an agent in the sale of products.

  Management identified some other adjustments that are much less meaningful than the adjustments explained above.

  The Combined Group will adopt the standard using the cumulative catch-up transition method. Hence, the cumulative effect of initially applying the standard will be recognized as an adjustment to the opening balance of retained earnings as at 1 January 2018, and comparatives will not be restated. The Combined Group expects an increase of approximately US$39 million on the retained earnings as of 1 January 2018.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.23 Changes in accounting policies (Continued)

Additionally, the Group has decided to take some of the practical expedients foreseen in the standard, such as:

- The Combined Group will not adjust the transaction price for the means of a financing component whenever the period between the transfer of a promised good or service to a customer and the associated payment is one year or less; when the period is more than one year the significant financing component will be adjusted, if material;

- The Combined Group will disclose in the financial statements the transaction price allocated to unsatisfied performance obligations only for contracts that have an original expected duration of more than one year (e.g. unsatisfied performance obligations for contracts that have an original duration of one year or less will not be disclosed);

- The Combined Group will apply the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if the consideration from a customer directly corresponds to the value to the customer of the entity's performance to date (i.e. if billing = accounting revenue);

- The Combined Group will apply the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that Millicom otherwise would have recognized is one year or less.

- IFRS 9, "Financial Instruments" IFRS 9 addresses the classification, measurement and recognition, and impairments of financial assets and financial liabilities as well as hedge accounting. 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 hedge accounting to continue under IAS 39. IFRS 9 also clarifies the accounting for certain modifications and exchanges of financial liabilities measured at amortized cost.

  The application of IFRS 9 will not have an impact for the Combined Group on classification, measurement and recognition of financial assets and financial liabilities compared to current rules, but it will have a limited impact on impairment of trade receivables and contract assets (IFRS 15) as well as on amounts due from joint ventures and related parties – with the application of the expected credit loss model instead of the current incurred loss model. Similarly to IFRS 15 adoption, the Combined Group will adopt the standard using the cumulative catch-up transition method and will therefore not restate comparative periods. Hence, the cumulative effect of initially applying the Standard will be recognized as an adjustment to the opening balance of retained earnings as at 1 January 2018, and comparatives will not be restated. The Combined Group expects a decrease of approximately US$6 million on the retained earnings as of 1 January 2018. Finally, the clarification introduced by IFRS 9 on the accounting for certain modifications and exchanges of financial liabilities measured at amortized cost will have no impact for the Combined Group.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.23 Changes in accounting policies (Continued)

- IFRS 16, "Leases" The application of the Standard will affect primarily the accounting for the Combined Group's operating leases. As at the reporting date, the Combined Group has non-cancellable operating lease commitments of $180 million, see note 24. However, the Combined 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 Combined Group's results and classification of cash flows. This said, the application of this Standard will affect net debt and leverage ratios of the Combined 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.

- 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 Combined Group does not expect this amendment to have a material impact on the combined financial statements.

- IFRIC 23, "Uncertainty over income tax treatments", IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. This interpretation has not been endorsed by the EU yet. The Combined Group is currently assessing the impact of this interpretation but does not expect any significant effect of applying it.

- 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 combined financial statements.

- Annual improvements 2015–2017, these amendments impact four standards: IFRS 3, Business Combinations and IFRS 11 Joint Arrangements regarding previously held interest in a joint operation. IAS 12, Income Taxes regarding income tax consequences of payments on financial instruments classified as equity. And finally, IAS 23, Borrowing Costs regarding eligibility for capitalization. Again, the Combined Group does not expect these improvements to have a material impact on the consolidated financial statements. These improvements have not been endorsed by the EU yet.

There are no other IFRS's or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Combined Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

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

- Contingent liabilities – the determination of whether or not a provision should be recorded for any potential liabilities.
- Leases – determination of whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each.
- Acquisition – allocation of excess of purchase price between newly identified assets and goodwill, measurement of property, plant and equipment and intangible assets and assessment of useful lives.
- Scope of entities combined – the combined financial statements only include subsidiaries of the Tigo Guatemala Companies located in Guatemala and therefore do not consolidate other subsidiaries outside Guatemala that are not material over which the Combined Group has control as of, and for, the periods presented.

Estimates

Estimates 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. Because of inherent uncertainties in this evaluation process, actual results may be different from originally estimated amounts. These 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:

- Estimating useful lives of property, plant and equipment and intangible assets.
- Estimation of provisions, particularly related to bad debt, legal, tax risks and asset retirement obligations.
- Impairment testing.
- Accounting for share based payments.
- Fair value of financial assets and liabilities.

For our critical accounting estimates reference is made to the relevant individual notes to these combined financial statements, more specifically note 7—Taxes, note 8—Intangible assets, note 9—Property, plant and equipment, note 11—Trade receivables, note 24—Commitments and contingencies.

4. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In 2017 and 2016, the Combined Entities made acquisitions of cable businesses for a total consideration of $1 million (Atlas) and $5 million (Aetna, Antillas, Apollo and Atlanta) respectively.

The purchase accounting of Atlas was finalized in October 2017. The purchase price has been mainly allocated to a customer list ($593 thousand) and to other tangible fixed assets. As a result, the final goodwill was $ 269 thousand.

5. BREAKDOWN OF OPERATING PROFIT

The gross profit and operating profit of the Combined Group can be summarized as follows:

US$ '000	2017	2016
Revenue	1,321,376	1,279,277
Cost of rendering telecommunication services	(242,854)	(249,807)
Gross profit	**1,078,522**	**1,029,470**
Depreciation and amortization (see notes 8 and 9)	(205,995)	(189,191)
Dealer commissions	(87,638)	(85,002)
Sites and network maintenance	(63,641)	(60,494)
Employee related costs (see note 6)	(62,300)	(58,482)
Phone subsidies	(61,787)	(59,667)
Operating lease expense (see note 24)	(44,661)	(43,977)
External services	(31,954)	(34,678)
Other expenses	(30,046)	(25,359)
Advertising and promotion	(26,164)	(25,573)
Loss on disposal and impairment of assets, net	(17,624)	(20,575)
Other fees and costs	(9,347)	(8,926)
Operating profit (i)	**437,365**	**417,546**

(i) In 2016, gross profit included a provision for impairment of $24 million related to amounts receivables from the video surveillance contracts with the Civil National Police. In 2017, operating profit also includes an additional impairment of $10 million (2016: US$18 million) on the fixed assets bought in the context of the video surveillance contracts.

6. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

US$ '000	2017	2016
Wages and salaries	(62,707)	(59,838)
Social security	(3,697)	(3,649)
Other employee related costs	(3,527)	(3,902)
Share based compensation (see note 16)	(1,547)	(1,479)
Capitalized employee related costs	9,178	10,386
Total (see note 5)	**(62,300)**	**(58,482)**

The average number of permanent employees during the years ended 31 December 2017 and 2016 was as follows:

	2017	2016
Total average number of permanent employees	**2,784**	**2,583**

7. TAXES

Guatemalan companies are subject to all taxes applicable to Guatemalan limited liability companies. The effective tax rate is 19% (2016: 19%). The reconciliation between the average statutory tax rate and the effective average tax rate is as follows:

US$ '000	2017 %	2016 %
Statutory tax rate (based on income)	25	25
Permanent differences	(6)	(6)
Effective tax rate	**19**	**19**

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7. TAXES (Continued)

The charge for income taxes is shown in the following table and recognizes that revenue and expense items may affect the financial statements and tax returns in different periods (temporary differences):

US$ '000	2017	2016
Income tax charge.........	(75,262)	(68,898)
Net deferred income tax benefit (expense)...............................	1,207	2,095
Charge for taxes	**(74,055)**	**(66,803)**

The tax effects of significant items excluding the exchange movements and comprising the Combined Group's net deferred income tax asset and liability as at 31 December 2017 and 2016 are as follows:

	Combined Balance Sheet		Combined Income Statement	
US$ '000	2017	2016	2017	2016
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	5,731	4,418	1,207	2,095
Deferred tax benefit			**1,207**	**2,095**
Deferred tax assets, net..	**5,731**	**4,418**		
Reflected in the statements of financial position as:...........				
Deferred tax assets...	11,989	8,479		
Deferred tax liabilities..	(6,258)	(4,061)		

Deferred income tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. There are no carried forward tax losses within the combined entities.

Income 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.

Income tax assets as at 31 December of each year comprise:

US$ '000	2017	2016
Income tax assets	6,624	8,048
Total	**6,624**	**8,048**

Current income tax liabilities as at 31 December of each year comprise:

US$ '000	2017	2016
Income tax liabilities	8,120	6,863
Total	**8,120**	**6,863**

8. INTANGIBLE ASSETS

Movements in intangible assets in 2017 were as follows:

US$ '000	Goodwill	Licenses	Customer lists	Other (i)	Total
Opening balance, net	**58,181**	**23,954**	**35,865**	**20,620**	**138,620**
Acquisition of business (see note 4)	269	—	593	—	862
Additions	—	—	—	28,324	28,324
Amortization charge	—	(1,567)	(9,074)	(7,869)	(18,510)
Transfers (to)/from PP&E	—	1	—	(221)	(220)
Exchange rate movements	1,972	576	638	(1,427)	1,759
Closing balance, net As at 31 December 2017	**60,422**	**22,964**	**28,022**	**39,427**	**150,835**
Cost	60,422	62,019	101,004	64,855	288,300
Accumulated amortization	—	(39,055)	(72,982)	(25,428)	(137,465)
Net	**60,422**	**22,964**	**28,022**	**39,427**	**150,835**

(i) Other caption mainly relates to IRUs and broadcasting rights.

Movements in intangible assets in 2016 were as follows:

.	Goodwill	Licenses	Customer lists	Other (i)	Total
Opening balance, net	**57,069**	**20,531**	**41,482**	**13,003**	**132,085**
Acquisition of business (see note 4)	2,063	—	2,380	—	4,443
Additions	—	4,473	—	8,784	13,257
Amortization charge	—	(1,378)	(8,695)	(2,780)	(12,853)
Transfers (to)/from PP&E	—	(2)	—	1,643	1,641
Exchange rate movements	(951)	330	698	(30)	47
Closing balance, net As at 31 December 2016	**58,181**	**23,954**	**35,865**	**20,620**	**138,620**
Cost	58,181	60,556	98,044	37,655	254,436
Accumulated amortization	—	(36,602)	(62,179)	(17,035)	(115,816)
Net	**58,181**	**23,954**	**35,865**	**20,620**	**138,620**

(i) Other caption mainly relates to IRUs.

The following table provides details of cash used for the purchase of intangible assets:

US$ '000	2017	2016
Additions	28,324	13,257
Change in capex accruals and payables	1,917	3,312
Cash used for the purchase of intangible assets	**30,241**	**16,569**

Impairment test of goodwill
As at 31 December 2017 and 2016, management tested goodwill for impairment. The Combined Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated.

The recoverable amount of a cash-generating unit ("CGU") or group of CGUs is determined 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 of MIC and Miffin Group in Guatemala covering a period of five years. The planning horizon reflects industry practice in the country where the Combined Group operates. Cash flows beyond this period are extrapolated using a perpetual growth rate of 3.1% (2016: 2%). The Combined Group has determined that the decision-making process as well as the level of detail of available information require that the Combined Group is the only CGU.

8. INTANGIBLE ASSETS (Continued)

The recoverable amount has been determined for the cash generating unit based on discount rate of 9.5% for the year ended 31 December 2017 (2016: 8.3%). Based on the results of the impairment test performed, management concluded that no impairment losses should be recorded on goodwill for the years ended 31 December 2017 and 2016.

Sensitivity analysis was performed on key assumptions within the impairment tests, including long-term growth rates, discount rates and operating profits. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing.

9. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible assets in 2017 were as follows:

US$ '000	Network Equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net.............	**595,067**	**13,550**	**51,832**	**28,916**	**689,365**
Acquisition of business (see note 4)	38	—	—	—	38
Additions.................................	90,530	1,495	36,841	14,629	143,495
Net disposals	(9,092)	(140)	(53)	(23)	(9,308)
Depreciation charge.................	(167,923)	(3,893)	—	(15,669)	(187,485)
Asset retirement obligations......	4,263	—	—	—	4,263
Transfers (to)/from intangible assets	44,480	(38)	(49,963)	5,741	220
Impairment (ii)	(10,245)	(31)	—	(55)	(10,331)
Exchange rate movements	9,680	375	1,392	5,132	16,579
Closing balance 31 December 2017...	**556,798**	**11,318**	**40,049**	**38,671**	**646,836**
Cost	1,694,791	34,351	40,049	127,467	1,896,658
Accumulated depreciation.........	(1,137,993)	(23,033)	—	(88,796)	(1,249,822)
Net..	**556,798**	**11,318**	**40,049**	**38,671**	**646,836**

(i) The caption "Other" mainly includes office equipment and motor vehicles.

(ii) In December 2017, an impairment review of the fixed assets bought in the context of the five years contracts with the Guatemala Government (see note 5 and 11) has been completed and management concluded that an additional impairment of $10 million should be recorded. As of 31 December 2017, the fixed assets related to this contract are completely impaired.

Movements in tangible assets in 2016 were as follows:

US$ '000	Network Equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net.............	**576,512**	**12,774**	**87,630**	**27,682**	**704,598**
Additions.................................	97,088	3,816	45,349	10,851	157,104
Net disposals	(2,208)	—	(116)	(141)	(2,465)
Depreciation charge.................	(158,193)	(3,988)	—	(14,157)	(176,338)
Asset retirement obligations......	15,914	—	—	—	15,914
Transfers (to)/from intangible assets	71,146	1,681	(82,697)	8,229	(1,641)
Impairment (i)	(13,429)	(924)	-	(4,047)	(18,400)
Exchange rate movements	8,237	191	1,666	499	10,593
Closing balance 31 December 2016	**595,067**	**13,550**	**51,832**	**28,916**	**689,365**
Cost …….	1,627,507	32,504	51,832	103,334	1,815,177
Accumulated depreciation.........	(1,032,440)	(18,954)	—	(74,418)	(1,125,812)
Net..	**595,067**	**13,550**	**51,832**	**28,916**	**689,365**

(i) The caption "Other" mainly includes office equipment and motor vehicles

(ii) In December 2016, an impairment review of the fixed assets bought in the context of the five years contracts with the Guatemala Government (see note 5 and 11) has been completed and management concluded that an impairment of $18 million should be recorded. The net book value after impairment amounts to $15 million which corresponds to the estimated recoverable amount of these assets.

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following table provides details of cash used for the purchase of property, plant and equipment:

US$ '000	2017	2016
Additions	143,495	157,104
Change in suppliers' advances	(18,985)	(7,045)
Change in capex accruals and payables	20,740	8,285
Cash used for the purchase of property, plant and equipment	**145,250**	**158,344**

Borrowing costs capitalized during the years ended 31 December 2017 and 2016 were not significant.

10. INVENTORIES

Inventories (net of impairment for obsolescence amounting to $2.2 million as at 31 December 2017 and $1.2 million as at 31 December 2016) as at 31 December of each year comprise:

US$ '000	2017	2016
Telephones and equipment	26,753	14,540
Sim cards	390	586
Other	2,561	1,465
Total	**29,704**	**16,591**

11. TRADE RECEIVABLES, NET

US$ '000	2017	2016
Gross trade receivables	119,606	103,114
Less: provisions for impairment of receivables	(64,160)	(58,455)
Trade receivables, net	**55,446**	**44,659**

As disclosed in note 5, all outstanding amounts receivable under the contract with the Guatemala Government to provide video surveillance to the Civil National Police of $42 million had been impaired during past years (2016: $24 million and 2015: $18 million), and no revenue has been recognized from the contracts from 1 July 2016.

The nominal value less impairment of trade receivables approximates their fair values (see note 26). As at 31 December 2017, and 2016, the aging analysis of trade receivables is as follows:

US$ '000	Neither past due nor impaired	Past due (net of impairments) <30 days	30–90 days	>90 days	Total
2017					
Telecom operators	10,756	92	44	24	10,916
Own customers	18,550	4,276	3,539	485	26,850
Others	14,153	2,018	1,502	7	17,680
Total	**43,459**	**6,386**	**5,085**	**516**	**55,446**
2016					
Telecom operators	2,691	44	89	111	2,935
Own customers	15,108	4,323	3,677	—	23,108
Others	15,267	967	2,128	254	18,616
Total	**33,066**	**5,334**	**5,894**	**365**	**44,659**

12. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income as at 31 December of each year comprise:

US$ '000	2017	2016
Prepayments	4,572	5,166
Accrued income	24,802	26,323
Total	**29,374**	**31,489**

13. SUPPLIER ADVANCES FOR CAPITAL EXPENDITURE

Supplier advances for capital expenditure as at 31 December of each year comprise:

US$ '000	2017	2016
Supplier advances for capital expenditure (tangible)	6,106	24,368
Total	**6,106**	**24,368**

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents comprised:

US$ '000	2017	2016
Cash and cash equivalents in U.S. dollars	223,276	209,850
Cash and cash equivalents in GTQ	72,341	73,675
Total cash and cash equivalents	**295,617**	**283,525**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the combined statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Restricted cash comprised:

US$ '000	2017	2016
Restricted cash in GTQ	5,254	4,203
Total restricted cash	**5,254**	**4,203**

Restricted cash mainly refers to cash within the mobile financial services business, which is restricted in accordance with local regulations.

15 EQUITY CONTRIBUTION

As at years ended 31 December 2017 and 2016 the issued share capital of the combined entities consists of:

	2017		2016	
Company names	Shares	Par value (GTQ)	Shares	Par value (GTQ)
Comunicaciones Celulares, S.A	500	50,000	500	50,000
Comunicaciones Corporativas, S.A.	20	500	20	500
Servicios Especializados en Telecomunicaciones, S.A.	100	100	100	100
Distribuidora de Comunicaciones de Occidente, S.A.	20	500	20	500
Distribuidora Central de Comunicaciones, S.A.	20	500	20	500
Distribuidora de Comunicaciones de Oriente, S.A.	20,020	500	20,020	500
Distribuidora Internacional de Comunicaciones, S.A.	20	500	20	500
Servicios Innovadores de Comunicación y Entretenimiento, S.A.	20	500	20	500
Navega.com, S.A.	200,017	100	200,017	100

The above-mentioned shares have been fully issued and fully paid.

16. SHARE BASED COMPENSATION

(a) Long-Term Incentive Plans

Long term incentive awards consist of three-year deferred share awards and performance share awards plans. All shares issued are MIC shares (one of the ultimate shareholders of the Tigo Guatemala Companies), the cost of which is recorded as equity contribution reserve and the fair value of equity-settled shares granted is estimated at the date of grant using the market price of MIC shares on that date. There are two types of plan applicable for the Combined Group, a deferred share plan and a future performance share plan.

For the deferred share 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 Comcel or any Tigo Guatemala Companies at each vesting date.

Under the performance share plan, shares granted vest at the end of a 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 pay-out 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 2017 Performance Share Plan is the same share price as the share price as the Deferred Share Plan.

The Combined Group has accounted for shared based compensation for the management and key employees of the companies included in the Combined Group.

A summary of the shares vested under the relevant plans as of 31 December 2017 and 2016 is as follows:

US$ '000	Shares vested as of December 2017	Shares vested as of December 2016
Plans		
2013 Deferred Plan	—	13,954
2013 Performance Plan	—	1,228
2014 Deferred Plan	9,566	4,710
2014 Performance Plan	1,130	—
2015 Deferred Plan	7,198	3,557
2016 Deferred Plan	4,758	—
Total	**22,652**	**23,449**

16. SHARE BASED COMPENSATION (Continued)

(b) Total share-based compensation expense

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

US$ '000	Performance shares 2017	Deferred share awards 2017	Performance shares 2016	Deferred share awards 2016	Performance shares 2015	Deferred share awards 2015
Shares granted	4,141	31,503	2,958	28,828	1,538	23,253
Revision for actual and expected forfeitures	—	(4,089)	—	—	—	(1,921)
Shares vested	—	—	—	—	—	(3,557)
Share awards expected to vest ..	**4,141**	**27,414**	**2,958**	**28,828**	**1,538**	**17,775**

Total share-based compensation expense for the years ended 31 December 2017 and 2016 was as follows:

US$ '000	2017	2016
2014 LTIPs	—	229
2015 LTIPs	319	427
2016 LTIPs	522	823
2017 LTIPs	706	—
Total	**1,547**	**1,479**

17. OTHER DEBT AND FINANCING

Borrowings due after more than one year:

US$ '000	2017	2016
Bank financing	208,880	203,956
Bond financing	786,718	784,565
Total other debt and financing due after more than one year	**995,598**	**988,521**

No borrowing due within one year.

The total amount of debt and financing is repayable as follows:

US$ '000	2017	2016
After five years	995,598	988,521
Total debt	**995,598**	**988,521**

17. OTHER DEBT AND FINANCING (Continued)

Significant individual financing facilities are described below:

Comunicaciones Celulares, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2017	Amount outstanding US$'000 2016
Banco Industrial, S. A.	2025	GTQ	(fixed) 7.20%	23,733	23,174
Senior Notes	2024	USD	(fixed) 6.875%	786,718	784,565

Servicios Especializados en Telecomunicaciones, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2017	Amount outstanding US$'000 2016
Banco Industrial, S. A.	2025	GTQ	(fixed) 7.20%	57,932	56,566

Servicios Innovadores de Comunicación y Entretenimiento, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2017	Amount outstanding US$'000 2016
Banco G&T Continental, S. A.	2025	GTQ	(fixed) 7.125%	127,215	124,216

Total	**995,598**	**988,521**

The loans above-listed are all unsecured.

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comunicaciones Celulares S.A. for the purposes of the transaction, issued a bond (proceeds of $779 million after deduction of the various costs paid up front and relating to this issuance) 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 Comunicaciones Celulares S.A. and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comunicaciones Celulares S.A. entered into an $800 million senior unsecured loan ("the Loan") with Credit Suisse AG, Cayman Islands Branch. 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, Credit Suisse and Comunicaciones Celulares S.A. remove any risk to Credit Suisse connected to the loan, and as such the Combined Group have derecognized both its asset and liability towards Credit Suisse from the date of the agreement.

During 2015, additionally, Tigo Guatemala Companies obtained loans from Guatemalan local banks as disclosed below increasing the interest expense in 2017 ($73 million) and 2016 ($75 million).

17. OTHER DEBT AND FINANCING (Continued)

In June 2015, Tigo Guatemala Companies set up 10 years maturity loan in local currency with two local banks; Banco Industrial for GTQ 600 million ($78 million) and Banco G&T for GTQ 1 billion ($122 million). The effective combined interest rate of the loans is 7.16%. Interest is paid in monthly installments while the loan is repayable in one bullet with a 10 years maturity and with an option of early repayment after 5 years without any penalties.

Fair value of financial liabilities
Borrowings are recorded at amortized cost. The fair value of borrowings as at 31 December 2017 and 2016 is as follows:

US$ '000	2017	2016
Other debt and financing	731,896	838,274

The fair value of the bond is determined based on market prices (level 1). The fair value of the other borrowings is calculated by discounting the expected future cash flows at market interest rates (level 2). The carrying value of the other financial liabilities is assumed to approximate their fair values (see note 26).

Guarantees
As at 31 December 2017 and 2016, there was no guarantee in place.

Pledged assets
As at 31 December 2017 and 2016, there were no pledged assets.

18. PAYABLES AND ACCRUALS FOR CAPITAL EXPENDITURE

Payables and accruals for capital expenditure at 31 December of each year comprise:

US$ '000	2017	2016
Accrued expenses – Intangible assets	17,385	8,694
Payables – Tangible assets	8,637	23,364
Accrued expenses – Tangible assets	4,088	10,178
Payables – Intangible assets	3,017	13,819
Total	**33,127**	**56,055**

19. TRADE PAYABLES

Trade payables at 31 December of each year comprise:

US$ '000	2017	2016
Mobile operators	15,577	18,042
Others	22,877	5,910
Total	**38,454**	**23,952**

The "others" caption mainly relates to suppliers of phones and equipment together with some professional services.

20. ACCRUED INTEREST AND ACCRUED EXPENSES

Accrued interest and accrued expenses at 31 December of each year comprise:

US$ ‘000	2017	2016
Accrued expenses	49,213	52,007
Accrued interest	22,153	22,152
Total	**71,366**	**74,159**

The “accrued expenses” caption relates to various accruals (including advertising costs, maintenance of network and cost of interconnection).

21. NON-CURRENT AND CURRENT PROVISIONS AND OTHER LIABILITIES

Provisions and other non-current liabilities at 31 December of each year comprise:

US$ ‘000	2017	2016
Long-term portion of asset retirement obligations	44,302	40,889
Non-current litigation provisions	1,002	7
Total	**45,304**	**40,896**

Provisions and other current liabilities at 31 December of each year comprise:

US$ ‘000	2017	2016
Deferred revenue	37,182	29,975
Customer and distributor restricted cash balances	5,217	4,184
Current provisions	1,631	1,281
Current litigation provisions (see note 24)	724	542
Customer deposits	406	490
Other	4,184	1,799
Total	**49,344**	**38,271**

22. DIVIDENDS

The ability of the Combined Group to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds. In 2017, the entities of the Combined Group declared dividends of US$306 million (2016: US$316 million) which are usually paid over two fiscal years: through shareholders’ loans (note 25) the year the Combined Group makes the profit and through dividends paid for the remaining amount the following year after the final dividend has been approved.

23. NON-CASH INVESTING AND FINANCING ACTIVITIES

The following table gives details of non-cash investing and financing activities as at 31 December of each year.

US$ ‘000	2017	2016
Investing activities		
Change in asset retirement obligations (see note 9)	(4,263)	(15,914)

24. COMMITMENTS AND CONTINGENCIES

Operational environment

The Combined Group operates in Guatemala, where the regulatory, political, technological and economic environments are evolving. As a result, there are uncertainties that may affect future operations, the ability to conduct business, foreign exchange transactions and debt repayments and which may impact upon agreements with other parties. In the normal course of business, the Combined Group faces uncertainties regarding taxation, interconnect rate, license renewal and tariff arrangements, which can have a significant impact on the long-term economic viability of operations.

Litigation and legal risks

The Tigo Guatemala Companies are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of 31 December 2017 and 2016, respectively $724 thousand and $542 thousand have been provided for these claims in the combined statement of financial position. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Combined Group's financial position and operations.

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Tigo Guatemala Companies.

Millicom continues to cooperate with law enforcement authorities in the United States. On 4 May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. On Tuesday April 24, 2018, Millicom received notification from the Justice Department informing the decision to close this investigation (see note 28). This matter is being overseen by a Special Committee of the Millicom Board of Directors (as disclosed on the 21 October 2015, Millicom press release), rather than by Comcel.

On Friday July 14, 2017, the International Commission Against Impunity in Guatemala (CICIG), held a press conference to inform that an ongoing investigation over alleged illegal campaign financing was being carried out, which included a competitor of Comcel. The CICIG further indicated, that in view of the declaration made by Comcel's competitor, which contained allegations over administrative procedures initiated by Comcel against such competitor several years ago, the investigation would include Comcel.

On November 23, 2017, the International Commission Against Impunity in Guatemala - CICIG, together with the Public Prosecutor of Guatemala, executed a search warrant at Tigo´s headquarters, located on KM 9.5 road to El Salvador Plaza Tigo, in connection with the investigations mentioned in the preceding paragraph. The authorities requested the disbursements made by the Tigo Guatemala Companies during the periods beginning in 2012 through 2017. Tigo Guatemala has complied with the requirement and, as of the date of issuance of these financial statements, no further request or notifications have been received from the afore mentioned authorities. These procedures are in an early stage of the investigation and the authorities could require further information from management. The case has been declared under reserve by the authorities so management can only be aware of any updates until new requirement or communications, if any, are made by the authorities.

Tax claims

On 15 February 2017, tax authorities notified Navega.com, S.A. of an adjustment amounting to approximately $18.5 million to the income tax for the fiscal years 2013 through 2015 (including principal, penalties and interests). According to the Guatemalan income tax law, goodwill amortization is deductible for income tax purposes. However, tax authorities considered that the goodwill originated in acquisitions made by Navega.com S.A. and its predecessor Asertel, S.A. do not meet the definition of goodwill for tax purposes and proceeded to annul the amortization deducted by Navega.com, S.A.

Lease commitments

Finance Leases:

There are no commitments under finance leases as the payment of capacity IRU's occurs at commencement or soon after commencement of the IRU contracts.

24. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases

The Combined Group has the following annual operating lease commitments as at December 31:

US$ '000	2017	2016
Operating lease commitments		
Within: one year	44,499	47,003
Between: one to five years	109,943	192,434
After: five years	25,309	42,737
Total	**179,751**	**282,174**

Operating leases comprise mainly lease agreements relating to land and buildings. The operating lease terms and conditions reflect normal market conditions. Total operating lease expense was $45 million in 2017 (2016: $44 million - see note 5).

Capital commitments

As a 31 December 2017 the Combined Group had fixed commitments to purchase network equipment, land and buildings and other fixed assets for $25 million (2016: $37 million), from a number of suppliers.

25. RELATED PARTY TRANSACTIONS AND BALANCES

Millicom Group subsidiaries

The Combined Group conducts transactions with one of its shareholders MIC, which in turn is partly owned by its principal shareholder investment AB Kinnevik ("Kinnevik").

In the normal course of business, the Combined Group receives business support and financing from various Millicom Group entities including MIC the ultimate holding company Millicom International 2 NV ("MIC 2NV") and Millicom International Operations S.A. ("MIO S.A.").

The Combined Group also recharges to other Millicom Group entities certain services performed on their behalf.

The receivable balance with MIC 2NV at 31 December 2017 represent shareholder loans that are due in 2018 and 2019.

Miffin Associates Corp

The receivable balance with Miffin at 31 December 2017 represent shareholder loans than are due in 2018 and 2019.

Transactions with Miffin shareholders represent recurring commercial operations such as purchase of handsets, lease of buildings and towers and sale of airtime.

Kinnevik

Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper industries and financial services. As of 31 December 2017 and 2016, Kinnevik owned approximately 38% of MIC. During 2017 and 2016 the Combined Group purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Amount due from related parties (non-current portion)

US$ '000	2017	2016
Millicom International II NV	123,750	110,330
Miffin Associates Corp	101,250	90,900
Others	10	10
Total	**225,010**	**201,240**

25. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Amount due from and advanced to related parties (current portion)

US$ '000	2017	2016
Millicom International II NV	148,626	140,408
Miffin Associates Corp	122,240	117,751
Telemóvil El Salvador, S.A.de C.V.	4,969	990
Metrored Cable Honduras	1,055	598
Newcom Nicaragua, S.A.	738	426
MIC S.A	349	65
Others	1,197	1,294
Total	**279,174**	**261,532**

Amount due to related parties (current portion)

US$ '000	2017	2016
Miffin Associates Corp	9,365	6,079
MIC S.A.	2,989	482
Metrored Cable Honduras	1,990	120
Millicom Cable Costa Rica	1,686	2,423
Millicom Spain S.L.	561	3,298
Others	2,449	1,435
Total	**19,040**	**13,837**

The following significant transactions were conducted with related parties:

US$ '000	2017	2016
Revenue (i)	287,194	265,470
Cost of sales and operating expenses (ii)	(200,692)	(176,146)

(i) Mainly comprising airtime revenue, corporate transmissions and other revenue with Nexcel, S.A. and MIC operations in El Salvador.

(ii) Mainly composed by handset acquisition, network maintenance, site rental costs, transmission costs, airtime costs and other direct costs with Celution Corporation, Lark Capital Group, Las Azaleas SA, with MIC operations in Costa Rica and with Millicom Spain.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms agreed by the parties. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

26. FINANCIAL RISK MANAGEMENT

Terms, conditions and risk management policies
Exposure to interest rate, foreign currency, non-repatriation, liquidity and credit risks arise in the normal course of the Combined Group's business. Financial risk management is performed at MIC Group level, where each of these risks are analyzed individually on a MIC Group consolidated level as well as on an interconnected basis. The MIC Group defines and implements strategies to manage the economic impact on the MIC Group's performance in line with its financial risk management policy. MIC Group's risk management strategies may include the use of derivatives. MIC Group's policy is prohibiting the use of such derivatives in the context of speculative trading as presented in its financial statements.

26. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Interest rate risk generally arises on borrowings. Borrowings issued at floating rates expose the Combined Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Combined Group to fair value interest rate risk. Since the bond and bank loans issuance (see note 17), the Combined Group's exposure to risk of changes in market interest rates relates to fair value interest rate risk only.

The table below summarizes, as at 31 December 2017, the Combined Group's fixed rate debt and floating rate debt:

US$ '000, except percentages	Amounts due within						
	1 year	1-2 year	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate....................	—	—	—	—	—	995,598	995,598
Weighted average nominal interest rate	—	—	—	—	—	6.934%	6.934%
Floating rate................	—	—	—	—	—	—	—
Weighted average nominal interest rate	—	—	—	—	—	—	—
Total............................	—	—	—	—	—	995,598	995,598
Weighted average nominal interest rate	—	—	—	—	—	6.934%	6.934%

The table below summarizes, as at 31 December 2016, the Combined Group's fixed rate debt and floating rate debt:

US$ '000, except percentages	Amounts due within						
	1 year	1-2 year	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate....................	—	—	—	—	—	988,521	988,521
Weighted average nominal interest rate	—	—	—	—	—	6.933%	6.933%
Floating rate................	—	—	—	—	—	—	—
Weighted average nominal interest rate	—	—	—	—	—	—	—
Total............................	—	—	—	—	—	988,521	988,521
Weighted average nominal interest rate	—	—	—	—	—	6.933%	6.933%

Foreign currency risk

The Combined Group operates in Guatemala and is exposed to foreign exchange risk arising from the currency exposure in Guatemala Quetzal. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Foreign currency risk management is performed at MIC Group level. The MIC Group seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. In some cases, the Combined Group may borrow in US dollars where it is either commercially more advantageous for subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a subsidiary. In these circumstances, the MIC Group accepts the remaining currency risk associated with financing its subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the MIC Group operates.

At 31 December 2017, if the $ had weakened/strengthened by 10% against the Quetzal and all other variables held constant, then profit before tax would have increased/decreased by $7 million and $9 million respectively (2016: $5 million and $6 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the revaluation of the debts from US dollar to Quetzal.

26. FINANCIAL RISK MANAGEMENT (Continued)

Credit and Counterparty risk

Financial instruments that potentially subject the Combined Group to credit risk are primarily cash and cash equivalents, letters of credit, trade receivables, amounts due from shareholders, supplier advances and other current assets and derivatives. Counterparties to agreements relating to the Combined Group's cash and cash equivalents and letters of credit are with reputable financial institutions.

Combined Group management does not believe there are significant risks of non-performance by these counterparties. Combined Group management has taken steps to diversify its banking partners and is managing the allocation of deposits across banks so that the Combined Group's counterparty risk with a given bank stays within limits which have been set based on each bank credit rating to avoid any significant exposure to a specific party.

A large portion of turnover comprises prepaid airtime. For customers for whom telecom services are not prepaid, each combined entity 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 are mainly derived from balances due from other telecom operators or Business to Business customers. 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. Credit checks are being performed for Business to Business customers. The Combined Group maintains a provision for impairment of trade receivables based upon expected collectability of all trade receivables.

As the Combined Group has a number of dispersed customers, there is no significant concentration of credit risk with respect to trade receivables.

Liquidity risk

Liquidity risk management is performed at the MIC Group level. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The MIC Group has incurred significant indebtedness but also has significant cash balances. The MIC Group 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 Combined Group borrowings are concentrated to one Bond issuance and two bank loans (note 17). Combined Group management believes that there is sufficient liquidity available to meet ongoing liquidity needs.

The tables below summarize the maturity profile of the Combined Group's net financial liabilities at 31 December:

Year ended 31 December 2017

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 17)	—	—	(995,598)	(995,598)
Cash and cash equivalents, and restricted cash	300,871	—	—	300,871
Net debt	**300,871**		**(995,598)**	**(694,727)**
Future interest commitments.......................	(69,944)	(279,776)	(112,388)	(462,108)
Trade payables (excluding accruals)	(50,108)	—	—	(50,108)
Other financial liabilities (including accruals)	(111,879)	—	—	(111,879)
Trade receivables	55,446	—	—	55,446
Other financial assets (i)	313,798	—	—	313,798
Net financial asset (liability).....................	**438,184**	**(279,776)**	**(1,107,986)**	**(949,578)**

(i) Mainly relates to amounts due from related parties (see note 25).

26. FINANCIAL RISK MANAGEMENT (Continued)

Year ended 31 December 2016

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 17)	—	—	(988,521)	(988,521)
Cash and cash equivalents, and restricted cash	287,728	—	—	287,728
Net debt	**287,728**	**—**	**(988,521)**	**(700,793)**
Future interest commitments..........	(69,592)	(278,367)	(181,275)	(529,234)
Trade payables (excluding accruals)	(42,824)	—	—	(42,824)
Other financial liabilities (including accruals)	(125,179)	—	—	(125,179)
Trade receivables	44,659	—	—	44,659
Other financial assets (i)	502,955	—	—	502,955
Net financial asset (liability)	**597,747**	**(278,367)**	**(1,169,796)**	**(850,416)**

(i) Mainly relates to amounts due from related parties (see note 25).

Year ended 31 December 2017

US$ '000	Cash and cash equivalents	Restricted cash	Bond and bank debt and financing	Finance lease liabilities	Total
Net debt as January 1, 2017	283,525	4,203	987,694	827	700,793
Cash flows	14,175	1,051	—	—	(15,226)
Additions / acquisitions	(1,006)	—	—	—	1,006
Interest accretion	—	—	2,324	—	2,324
Foreign exchange movements...........	(3,504)	—	4,823	(70)	8,257
Transfer to/from assets held for sale...	2,427	—	—	—	(2,427)
Transfers..........	—	—	—	—	—
Other non-cash movements................	—	—	—	—	—
Net debt as December 31, 2017	**295,617**	**5,254**	**994,841**	**757**	**694,727**

Year ended 31 December 2016

US$ '000	Cash and cash equivalents	Restricted cash	Bond and bank debt and financing	Finance lease liabilities	Total
Net debt as January 1, 2016	151,550	3,315	983,616	—	828,751
Cash flows	145,804	888	792	827	(145,073)
Additions / acquisitions	(4,699)	—	—	—	4,699
Interest accretion	—	—	2,339	—	2,339
Foreign exchange movements...........	(9,413)	—	947	—	10,360
Transfer to/from assets held for sale...	283	—	—	—	(283)
Transfers..........	—	—	—	—	—
Other non-cash movements................	—	—	—	—	—
Net debt as December 31, 2016	**283,525**	**4,203**	**987,694**	**827**	**700,793**

Capital management

Capital management is performed at the MIC Group and Miffin Associates Corp. levels. The primary objective of MIC Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The MIC Group and Miffin Associates Corp. manage their capital structure and make adjustments to it, in light of changes in economic conditions.

27. FINANCIAL INSTRUMENTS

The fair value of the Combined Group's financial instruments is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value measurement hierarchy

IFRS 7 requires for financial instruments that are measured in the Statement of Financial Position at fair value, the disclosure of fair value measurements by level of 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).

At 31 December 2017 and 2016, the Combined Group does not own any financial instruments that are measured at fair value.

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. Refer to note 17 for further details on fair value of debt and financing. The fair value of the bonds has been determined based on their market price (level 1). The fair values of other debt and financing have been estimated by the Combined Group management based on discounted future cash flows at market interest rates (level 2).

28. SUBSEQUENT EVENT

On Tuesday April 24, 2018, Millicom received notification from the Justice Department informing the decision to close the investigation related with the potential improper payments made on behalf of the company's joint venture in Guatemala (see note 24, under Litigation and legal risks, paragraphs 2 and 3).

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