COMCEL TRUST

Unaudited Interim Condensed Combined Financial Statements

As at and for the nine-month period ended 30 September 2018

29 November 2018

Unaudited interim condensed combined income statement for the nine-month period ended 30 September 2018

US$ '000	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Revenue	4	1,011,266	974,408
Cost of sales	4	(208,704)	(174,500)
Gross profit	4	**802,562**	**799,908**
Operating expenses	4	(284,849)	(308,457)
Depreciation & amortization	4	(148,355)	(153,752)
Other operating income (expenses), net	4	(6,347)	(3,444)
Operating profit	4	**363,011**	**334,255**
Interest expense		(56,191)	(57,797)
Interest and other financial income		12,657	9,388
Foreign exchange gain (loss), net		(14,461)	13,407
Profit before taxes		**305,016**	**299,253**
Charge for taxes, net		(50,634)	(52,706)
Net profit for the period		**254,382**	**246,547**

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

Unaudited interim condensed combined statement of comprehensive income for the nine-month period ended 30 September 2018

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Net profit for the period…	254,382	246,547
Other comprehensive income, net of tax:		
Exchange differences on translation of operations to the US dollars reporting currency	(24,533)	12,297
Total comprehensive income for the period	**229,849**	**258,844**

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

Unaudited interim condensed combined statement of financial position as at 30 September 2018

US$ '000	Notes	30 September 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	6	174,404	150,835
Property, plant and equipment, net	7	564,028	646,836
Contract costs, net	2	2,442	—
Deferred tax assets		13,043	11,989
Amounts due from related parties	8	145,010	225,010
Other non-current assets		2,572	2,910
Income tax assets		8,291	6,624
Supplier advances for capital expenditure		2,272	6,106
TOTAL NON-CURRENT ASSETS		**912,062**	**1,050,310**
CURRENT ASSETS			
Inventories		24,457	29,704
Trade receivables, net		43,686	55,446
Contract assets, net	2	36,604	—
Amounts from related parties	8	324,459	279,174
Prepayments and accrued income		32,337	29,374
Other current assets		25,512	28,518
Restricted cash	9	4,714	5,254
Cash and cash equivalents	9	270,583	295,617
TOTAL CURRENT ASSETS		**762,352**	**723,087**
TOTAL ASSETS		**1,674,414**	**1,773,397**

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

Unaudited interim condensed combined statement of financial position at 30 September 2018 (continued)

US$ '000	Notes	30 September 2018	31 December 2017
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium		14,009	14,009
Equity contribution reserve		11,782	10,734
Other reserves		81,475	106,008
Retained profits		342,336	376,035
TOTAL EQUITY		**449,602**	**506,786**
LIABILITIES			
Non-current liabilities			
Other debt and financing	10, 13	987,595	995,598
Provisions and other non-current liabilities		46,139	45,304
Deferred tax liabilities	2	7,722	6,258
Total non-current liabilities		**1,041,456**	**1,047,160**
Current liabilities			
Amounts due to related parties	8	13,514	19,040
Payables and accruals for capital expenditure		30,207	33,127
Trade payables		32,374	38,454
Accrued interest and other expenses		58,447	71,366
Current income tax liabilities		6,061	8,120
Contract liabilities	2	238	—
Provisions and other current liabilities		42,515	49,344
Total current liabilities		**183,356**	**219,451**
TOTAL LIABILITIES		**1,224,812**	**1,266,611**
TOTAL EQUITY AND LIABILITIES		**1,674,414**	**1,773,397**

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

Unaudited interim condensed combined statement of cash flows for the nine-month period ended 30 September 2018

US$ '000	Notes	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Cash flows from operating activities			
Profit before taxes		**305,016**	**299,253**
Adjustments to reconcile to net cash:			
Interest expense		56,191	57,797
Interest and income		(12,657)	(9,388)
Foreign exchange loss/(gain), net		14,461	(13,407)
Adjustments for non-cash items:			
Depreciation and amortization	6,7	148,355	153,752
Loss on disposal and impairment of assets		6,347	3,444
Share-based compensation	5	1,048	907
		518,761	**492,358**
Decrease/(increase) in trade receivables, prepayments and other current assets		5,893	(4,842)
Decrease/(increase) in inventories		3,965	(710)
Decrease in trade and other payables		(8,221)	57
Changes in working capital		**1,637**	**(5,495)**
Interest paid		(65,659)	(66,178)
Interest received		3,835	3,100
Taxes paid		(55,518)	(54,632)
Net cash provided by operating activities		**403,056**	**369,153**
Cash flows from investing activities:			
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	3	(32,494)	—
Purchase of intangible assets and licenses	6	(18,468)	(18,950)
Purchase of property, plant and equipment	7	(75,714)	(99,362)
Proceeds from sale of property, plant and equipment		1,294	2,516
Proceeds from sale of intangibles		23	—
Net decrease in restricted cash		110	(996)
Net cash used by investing activities		**(125,249)**	**(116,792)**
Cash flows from financing activities:			
Payment of dividends, advances and shareholders loans		(299,430)	(233,181)
Net cash used by financing activities		**(299,430)**	**(233,181)**
Exchange losses on cash and cash equivalents, net		(3,411)	(2,605)
Net (decrease)/increase in cash and cash equivalents		**(25,034)**	**16,575**
Cash and cash equivalents at the beginning of the year		295,617	283,525
Cash and cash equivalents at the end of the period / year		**270,583**	**300,100**

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

Unaudited interim condensed combined statements of changes in equity for the years ended 30 September 2018 and 31 December 2017

US$ '000	Share capital (000's)	Equity Contribution Reserve (i) (000's)	Other reserves (ii) (000's)	Retained earnings (000's)	Total equity (000's)
Balance on 31 December 2016	***14,009***	***9,187***	***93,761***	***365,471***	***482,428***
Profit for the period……………………………...……	—	—	—	246,547	246,547
Currency translation differences……………………....	—	—	12,297	—	12,297
Total comprehensive income for the period………....	—	—	12,297	246,547	258,844
Dividends (iii)……………………………………………	—	—	—	(305,660)	(305,660)
Share based compensation…………………………....	—	907	—	—	907
Balance on 30 September 2017	***14,009***	***10,094***	***106,058***	***306,358***	***436,519***
Profit for the period……………………………..……	—	—	—	69,677	69,677
Currency translation differences……………………..	—	—	(50)	—	(50)
Total comprehensive income for the period……..…..	—	—	(50)	69,677	69,627
Dividends (iii)………………………………………....	—	—	—	—	—
Share based compensation……………………..……..	—	640	—	—	640
Balance on 31 December 2017	***14,009***	***10,734***	***106,008***	***376,035***	***506,786***
Profit for the period…………………………..……….	—	—	—	254,382	254,382
Currency translation differences……………………..	—	—	(24,533)	—	(24,533)
Total comprehensive income for the period……..…..	—	—	(24,533)	254,382	229,849
Adjustment on adoption of IFRS 15 and IFRS 9 (net of tax) (iv)	—	—	—	33,616	33,616
Dividends (iii)………………………………………....	—	—	—	(321,697)	(321,697)
Share based compensation.......................................	—	1,048	—	—	1,048
Balance on 30 September 2018	***14,009***	***11,782***	***81,475***	***342,336***	***449,602***

(i) Equity Contribution Reserve made up only with share-based compensation expense.
(ii) Other reserves mainly include legal reserves of $ 81 million and currency translation differences at 30 September 2018. Legal reserves are not distributable.
(iii) Dividends — see note 11.
(iv) See note 2 for details about changes in accounting policies.

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

Notes to the unaudited interim condensed combined statements

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 10). 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 US$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.

There were no changes in ownership of the Tigo Guatemala Companies in the periods presented.

Our Combined Financial Statements do not consolidate the subsidiaries over which Comcel and the other Note Guarantors exerted control as of, and for, the periods presented. The only such subsidiary is Newcom Ltd. Bermuda, which represented less than 1% of the combined total revenue, less than 1% of the combined Adjusted EBITDA, 1% of the combined total assets and less than 1% of the combined total liabilities of Comcel and the other Note Guarantors as of, and for the nine-month period ended 30 September 2018. We do not intend to consolidate these or any other subsidiaries that may exist from time to time in future combined financial statements of Comcel and the other Note Guarantors, including those prepared for purposes of “Description of the Notes—Covenants of the Note Guarantors—Provision of Financial Information.”

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. Two entities (Millicom Cable 206 N.V. and Newcom Bermuda) not material to the Combined Group have been excluded from this combination.

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.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

These interim condensed combined financial statements of the Combined Group are unaudited. They are presented in US dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting'. In the opinion of management, these unaudited condensed interim combined financial statements reflect all adjustments that are necessary for a proper presentation of the results for interim periods. The Combined Group's operations are not affected by significant seasonal or cyclical patterns.

These unaudited condensed interim combined financial statements should be read in conjunction with the combined financial statements for the year ended 31 December 2017. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2017 combined financial statements, except for the changes described below.

The following changes to standards effective for annual periods starting on January 1, 2018 have been adopted by the Combined Group:

- IFRS 15 "Contracts with customers" 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 adopted the accounting standard on January 1, 2018 using the cumulative catch-up transition method which had an immaterial 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 does not affect the cash flows generated by the Combined Group.

  As a consequence of adopting this Standard:

  1) Some revenue is recognized earlier, as a larger portion of the total consideration received in a bundled contract is attributable to the component delivered at contract inception (i.e. typically a subsidized handset). Therefore, this produces a shift from service revenue (which decreases) to the benefit of Telephone and Equipment revenue. This results 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) are reported on a separate line in current assets/liabilities 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) is now 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 results in the recognition of Contract Costs being capitalized under non-current assets on the statement of financial position.
  3) There are no material changes for the purpose of determining whether the Combined Group acts as principal or an agent in the sale of products.
  4) The presentation of certain amounts in the balance sheet has been changed to reflect the terminology of IFRS 15:
     a. Contract assets recognized in relation to service contracts.
     b. Contract costs in relation to capitalised cost incurred to obtain a contract (mainly commissions).
     c. Contract liabilities in relation to service contracts were previously included in trade and other payables.

Management identified some other not material adjustments than the ones explained above.
The Combined Group has adopted the standard using the cumulative catch-up transition method. Hence, the cumulative effect of initially applying the Standard has been recognized as an adjustment to the opening balance of retained earnings as at January 1, 2018 and comparatives have not be restated in accordance with the transitional provisions in IFRS 15. The impact on the opening balance of retained earnings as at January 1, 2018 is summarised in the table set out at the bottom of this section.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

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

- The Combined Group does 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 is adjusted, if material.
- The Combined Group discloses in the Group 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 applies 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 applies 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 The Combined Group otherwise would have recognized is one year or less.

The revenue recognition accounting policy applied from January 1, 2018 is as follows:

Revenue is recognised at an amount that reflects the consideration to which the Combined Group expects to be entitled in exchange for transferring goods or services to a customer.

Post-paid connection fees are derived from the payment of a non-refundable/one-time fee charged to customer to connect to the network (e.g. connection / installation fee). Usually, it does not represent a distinct good or service, therefore does not give rise to a separate performance obligation and revenue is recognised over the minimum contract duration. Unless the fee is paid by a customer to get the right to receive goods or services without having to pay this fee again over his tenure with the Combined Group (e.g. the customer can readily extend his contract without having to pay the same fee again), it is accounted for as a material right and revenue should be recognized over the customer retention period.

Post-paid mobile/cable subscription fees are recognised over the relevant enforceable/subscribed service period (recurring monthly access fees that do not vary based on usage). The service provision is usually considered as a series of distinct services that have the same pattern of transfer to the customer. Remaining unrecognised subscription fees are fully recognised once the customer has been disconnected.

Prepaid scratch/SIM cards are services where customers purchase a specified amount of airtime or other credit in advance. Revenue is recognized as the credit is used. Unused credit is carried in the statement of financial position as contract liability within other current liabilities. Upon expiration of the validity period, the portion of the contract liability relating to the expiring credit is recognized as revenue, since there is no longer an obligation to provide those services.

Telephone and equipment sales are recognised as revenue once the customer obtains control of the good. That criteria is fulfilled if the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.

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

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

Customer premise equipment (CPE) are provided to customers as a prerequisite to receive the subscribed Home services and shall be returned at the end of the contract duration. Since CPEs provided over the contract term do not provide benefit to the customer on their own, they do not give rise to separate performance obligations and therefore are accounted for as part of the service provided to the customers.

Bundled offers are considered arrangements with multiple deliverables or elements, which can lead to the identification of separate performance obligations. Revenue is recognised in accordance to the transfer of goods or services to customers in an amount that reflects the relative standalone selling price of the performance obligation (e.g. sale of telecom services, revenue over time + sale of handset, revenue at a point in time).

Principal-Agent, some arrangements involve two or more unrelated parties that contribute to providing a specified good or service to a customer. In these instances, the Combined Group determines whether it has promised to provide the specified good or service itself (as a principal) or to arrange for those specified goods or services to be provided by another party (as an agent). In cases the Combined Group determines that it acts as a principal, revenue is recognized in the gross amount, whereas in cases the Combined Group acts as an agent revenue is recognized in the net amount (i.e. provision payment).

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

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

- IFRS 9 “Financial Instruments” 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 Combined Group’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. IFRS 9 also clarifies the accounting for certain modifications and exchanges of financial liabilities measured at amortised cost.

  The application of IFRS 9 did not have an impact for the Combined Group on classification, measurement and recognition of financial assets and financial liabilities compared to IAS 39, but it has a limited impact on impairment of trade receivables and contracts 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 adopted the standard using the cumulative catch-up transition method and therefore not restated comparative periods. Hence, the cumulative effect of initially applying the Standard has been recognized as an adjustment to the opening balance of retained earnings as at January 1, 2018 and comparatives have not be restated in accordance with the transitional provisions in IFRS 9. The impact on the opening balance of retained earnings as at January 1, 2018 is summarised in the table set out at the bottom of this section. Additionally, the Combined Group continues applying IAS 39 rules with respect to hedge accounting. Finally, the clarification introduced by IFRS 9 on the accounting for certain modifications and exchanges of financial liabilities measured at amortised cost did not have an impact for the Combined Group.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

The Financial Instruments accounting policies applied from January 1, 2018 is as follows:

i. Debt instruments

Classification

From January 1, 2018, the Combined Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value [either through Other Comprehensive Income (OCI), or through profit or loss], and
- Those to be measured at amortised cost.

The classification depends on the Combined Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Combined Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Combined Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Combined Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Combined Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Combined Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

i. Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Other non-operating (expenses) income, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as 'Other non-operating (expenses) income, net' in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'Other non-operating (expenses) income, net' in the period in which it arises.

Impairment

From January 1, 2018, the Combined Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Combined Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

The provision is recognized in the consolidated income statement within Cost of sales.

ii. Derivative financial instruments and hedging activities

The Combined Group has opted to continue applying IAS 39 for hedge accounting. The accounting policy disclosed in the Group consolidated financial statements for the year ended December 31, 2017 remains therefore similar after IFRS 9 implementation.

The application of the following new standards or interpretations did not have an impact for the Combined Group:

- Amendments to IFRS 2, Share based payments', on clarifying how to account for certain types of share-based payment transactions.

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'.

- Annual improvements to IFRS Standards 2014–2016.

There are no other significant changes to standards effective for annual periods starting on January 1, 2018.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

The application of IFRS 15 and IFRS 9 had the following impact on the Combined Group financial statements as of January 1, 2018:

Financial position US$ '000	As at January 1, 2018 before application	Effect of adoption of IFRS 15	Effect of adoption of IFRS 9	As at January 1, 2018 after application	Reason for the change
ASSETS					
Contract costs, net (non-current) **NEW**....	—	2,501	—	2,501	*(i)*
Deferred tax assets (non-current)............	11,989	—	241	12,230	*(v)*
Trade receivables, net............................	55,446	—	(4,367)	51,079	*(ii)*
Contract assets, net (current) **NEW**.........	—	39,388	(1,298)	38,090	*(iii)*
LIABILITIES					
Contract liabilities (current) **NEW**............	—	181	—	181	*(iv)*
Deferred tax liabilities (non-current).........	6,258	2,744	(77)	8,925	*(v)*
EQUITY					
Retained profits	376,035	38,962	(5,346)	409,651	*(vi)*

(i) This mainly represents commissions capitalized and amortized over the average contract term.
(ii) Effect of the application of the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.
(iii) Contract asset mainly represents subsidized handsets as more revenue is recognized upfront while the cash will be received along the subscription period (which is usually between 12 to 36 months).
(iv) This mainly represents deferred revenue for goods and services not yet delivered to customers that will be recognized upon the goods are delivered and the services are provided to customers. The balance also comprises the revenue from the billing of subscription fees or 'one-time' fees at the inception of a contract that are deferred and will be recognized over the average customer retention period or the contract term.
(v) Tax effects of the above adjustments.
(vi) Cumulative catch-up effect.

As of January 1, 2018, there is no impact on the statement of cash flows.

The following summarises the amount by which each financial statement line item is affected in the current reporting period by the application of IFRS 15 as compared to previous standard and interpretations:

INCOME STATEMENT US$ '000	For the nine month period ended September 30, 2018			
	As reported	Without adoption of IFRS 15	Effect of change Higher/(Lower)	Reason for the change
Revenue	1,011,266	1,011,063	203	*(i)*
Cost of sales	(208,704)	(185,445)	(23,259)	*(ii)*
Operating expenses	(284,849)	(308,167)	23,318	*(ii)*

INCOME STATEMENT US$ '000	For the three month period ended September 30, 2018			
	As reported	Without adoption of IFRS 15	Effect of change Higher/(Lower)	Reason for the change
Revenue	339,858	338,757	1,101	*(i)*
Cost of sales	(71,353)	(62,834)	(8,519)	*(ii)*
Operating expenses	(96,065)	(104,612)	8,547	*(ii)*

(i) Mainly for the shifting in the timing of revenue recognition due to the reallocation of revenue from service (over time) to telephone and equipment revenue (point in time).
(ii) Mainly for the reallocation of cost for selling devices due to shift from service revenue to telephone and equipment revenue. Also for the capitalization and amortization of contract costs.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES (Continued)

FINANCIAL POSITION US$ '000	As at September 30, 2018			
	As reported	Without adoption of IFRS 15	Effect of change Higher/(Lower)	Reason for the change
ASSETS				
Contract costs, net (non-current)	2,442	—	2,442	*(iii)*
Contract assets, net (current)	36,604	—	36,604	*(iv)*
LIABILITIES				
Contract liabilities (current)	238	—	238	*(v)*
Deferred tax liabilities (non-current)	7,722	5,105	2,617	*(vi)*
EQUITY				
Retained profits	342,336	306,145	36,191	*(vii)*

(iii) This mainly represents commissions capitalized and amortized over the average contract term.

(iv) Contract asset mainly represents subsidized handsets as more revenue is recognized upfront while the cash will be received along the subscription period (which are usually between 12 to 36 months). Throughout the period ended September 30, 2018 no material impairment loss has been recognized.

(v) This mainly represents deferred revenue for goods and services not yet delivered to customers that will be recognized upon the goods are delivered and the services are provided to customers. The balance also comprises the revenue from the billing of subscription fees or 'one-time' fees at the inception of a contract that are deferred and will be recognized over the average customer retention period or the contract term.

(vi) Tax effects of the above adjustments.

(vii) Cumulative catch-up effect and IFRS 15 effect in the current period.

The following Standard, which is expected to materially affect the Combined Group, will be effective from January 1, 2019:

- IFRS 16 "Leases" will affect primarily the accounting for the Combined Group's operating leases. As of December 31, 2017, the Combined Group had operating lease commitments of $180 million. The Combined Group is still assessing 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 profit and classification of cash flows. This said, the application of this standard will affect the Combined Group's EBITDA, net debt and leverage ratios.

    - As part of the IFRS 16 implementation journey, the Combined Group has already taken decisions on the following points:
    - IFRS 16 will be adopted using the modified retrospective approach with the cumulative effect of adoption being recognised at the date of initial application (IFRS16.C5.b)
    - Non-lease components will be capitalised (IFRS16.15)
    - Intangible assets are out of IFRS 16 scope (IFRS16.4)

3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the nine-month period ended 30 September 2018, the Combined Group made acquisitions of cable businesses for a total consideration of $32.5 million (Electrónica DX, S. A., Deltech Solutions, S. A., Transmisiones Internacionales Exclusivas, S. A., Grupo Protel, S. A.).

The purchase price has been mainly allocated to customer lists ($7 million), other network equipments ($1.7 million), and to other tangible fixed assets ($0.9 million). As a result, the final goodwill was $22.9 million.

4. BREAKDOWN OF OPERATING PROFIT

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

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Revenue	1,011,266	974,408
Cost of rendering telecommunication services (see note 2)	(208,704)	(174,500)
Gross profit	**802,563**	**799,908**
Depreciation and amortization	(148,355)	(153,752)
Dealer commissions	(62,584)	(63,929)
Employee related costs (see note 5)	(46,639)	(47,030)
Sites and network maintenance	(44,635)	(47,354)
Operating lease expense	(34,406)	(33,559)
External services	(25,320)	(24,073)
Phone subsidies (see note 2)	(22,958)	(42,648)
Advertising and promotion	(17,657)	(20,354)
Other fees and costs	(8,507)	(6,945)
Loss on disposal and impairment of assets, net	(6,347)	(3,444)
Other expenses	(22,143)	(22,565)
Operating profit	**363,011**	**334,255**

5. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Wages and salaries	(47,180)	(47,845)
Social security	(2,683)	(2,705)
Share based compensation	(1,048)	(907)
Capitalized employee related costs	6,706	7,034
Other employee related costs	(2,434)	(2,607)
Total	**(46,639)**	**(47,030)**

6. INTANGIBLE ASSETS

The Combined Group used cash for the purchase of intangible assets and licenses as follows:

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Additions	15,051	12,728
Decrease in payables for intangible assets	3,417	6,222
Cash used for the purchase of intangible assets and licenses	**18,468**	**18,950**

The charge for amortization on intangible assets and license renewals for the nine-month period ended 30 September 2018 was $14 million (30 September 2017: $12 million).

During the nine-month period ended 30 September 2018, Tigo Guatemala companies dispose of intangible assets and received $ 23 thousand (30 September 2017 did not dispose of any intangible assets).

7. PROPERTY, PLANT AND EQUIPMENT

The Combined Group used cash for the purchase of property, plant and equipment as follows:

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Additions	81,213	92,065
Decrease in suppliers advances	(3,861)	(18,178)
Decrease in payables for property, plant and equipment	1,638	25,475
Cash used for the purchase of property, plant and equipment	**75,714**	**99,362**

The charge for depreciation on property, plant and equipment for the nine-month period ended 30 September 2018 was $134 million (30 September 2017: $142 million).

During the nine-month period ended September 30, 2018, Tigo Guatemala companies disposed of property, plant and equipment and received $1.3 million (30 September 2017: $2.5 million).

8. RELATED PARTY TRANSACTIONS

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 30 September 2018 represent shareholder loans that are due in 2019 and 2020.

Miffin Associates Corp

The receivable balance with Miffin at 30 September 2018 represent shareholder loans than are due in 2019 and 2020.

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 30 September 2018 and 2017, Kinnevik owned approximately 37% of MIC. During 2018 and 2017 the Combined Group purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

The following transactions were conducted with related parties during the nine-month period ended 30 September 2018:

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Expenses		
Purchases of goods and services (Miffin)	133,524	131,320
Purchase of goods and services (MIC)	2,146	2,264
Purchases of goods and services (Other)	2,281	3,855
Total	**137,951**	**137,439**

8. RELATED PARTY TRANSACTIONS (Continued)

US$ '000	Nine months ended 30 September 2018	Nine months ended 30 September 2017
Income / gains		
Sale of goods and services (Miffin)	189,345	203,115
Sale of goods and services (MIC)	4,907	3,710
Sale of goods and services (Other)	1,960	1,570
Total	**196,212**	**208,395**

As at 30 September 2018 the Combined Group had the following balances with related parties:

US$ '000	As at 30 September 2018	As at 31 December 2017
Assets		
Millicom International II NV	257,628	272,376
Miffin Associates Corp	211,040	223,490
Telemóvil El Salvador, S.A.de C.V.	359	4,969
Metrored Cable Honduras	129	1,055
MIC S.A.	75	349
Newcom Nicaragua, S.A	82	738
Others	156	1,207
Total	**469,469**	**504,184**

US$ '000	As at 30 September 2018	As at 31 December 2017
Liabilities		
Miffin Associates Corp	8,991	9,365
MIC S.A.	1,763	2,989
Millicom Spain, S. L.	995	561
Millicom Cable Costa Rica	827	1,686
Metrored Cable Honduras	120	1,990
Others	818	2,449
Total	**13,514**	**19,040**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised:

US$ '000	As at 30 September 2018	As at 31 December 2017
Cash and cash equivalents in U.S. dollars	196,889	223,276
Cash and cash equivalents in GTQ	73,694	72,341
Total cash and cash equivalents	**270,583**	**295,617**

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 six 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 Combined Group's cash management.

9. CASH AND CASH EQUIVALENTS (Continued)

Restricted cash comprised:

US$ '000	As at 30 September 2018	As at 31 December 2017
Restricted cash in GTQ	4,714	5,254
Total restricted cash	**4,714**	**5,254**

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

10. DEBT AND FINANCING

Analysis of debt and other financing by maturity

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

US$ '000	As at 30 September 2018	As at 31 December 2017
Due within:		
After five years	987,595	995,598
Total debt	**987,595**	**995,598**

On 30 January 2014, Tigo Guatemala Companies issued an $800 million 6.875% fixed interest rate bond repayable in 10 years, to refinance the Combined Group and to repay in 2014 each individual financing facility existing as at 31 December 2013. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%.

In June 2015, Tigo Guatemala Companies obtained a Credit Loan in local currency with two major banks; Banco Industrial in the amount of GTQ 600 million ($78 million) and Banco G&T contract was signed for an amount of GTQ 1 billion ($122 million) with a partial drawdown of $30 million. The effective combined interest rate is of 7.16% with monthly installments, a 10 year term and principal payment at maturity.

As at 30 September 2018 and 31 December 2017, none of the shareholders had issued any guarantees to secure the obligations of the Combined Group's operations.

Pledged assets

As at 30 September 2018 and 31 December 2017, the assets pledged by the Combined Group's operations for these debts and financings are nil.

11. 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 from the combined entities. By 30 September 2018, the entities of the Combined Group had declared a dividend related to 2017 retained profits of $ 321 million (2017: $306 million).

12. COMMITMENTS AND CONTINGENCIES

Litigation & 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 30 September 2018, and 31 December 2017, respectively $1.2 million and $724 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.

In October 2015, Millicom voluntarily reported to the U.S. Department of Justice potential improper payments made on behalf of the Tigo Guatemala Companies and, since then, has cooperated fully with the Justice Department's investigation. On April 23, 2018, the US Justice Department informed Millicom that it is closing its investigation.

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 documents related to 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 aforementioned 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. Management has not been able to assess the potential impact on these interim condensed combined financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of September 30, 2018.

Capital commitments

As of 30 September 2018, the Combined Group had fixed commitments to purchase network equipment, land and buildings and other fixed assets for $40 million (31 December 2017: $ 25 million), from a number of suppliers.

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.

On April 12 2018, the Constitutional Court notified Navega of an appeal filed by the Tax Office for review against the ruling filed by the Supreme Court of Justice in regards with the 3% stamp tax on the payment of dividends from Navega to the shareholders for 2010 tax year. Navega has responded to this appeal and it is waiting for a final resolution from the Constitutional Court. In the event that Navega loses this case, management estimates that the additional tax assessment plus interest and penalties, could be of approximately $2 million.

The Company, along with its tax advisors, has concluded that it is not probable that an outflow of resources embodying economic benefits will be required to settle them, especially considering that the Company has enough arguments to support its position. Consequently, no provision was deemed necessary in this respect.

13. FINANCIAL INSTRUMENTS

Other than the items disclosed below, the fair values of financial assets and financial liabilities approximate their carrying values as at 30 September 2018 and 31 December 2017:

	Carrying Value		Fair Value	
US$ '000	30 September 2018 (unaudited)	31 December 2017 (audited)	30 September 2018 (unaudited)	31 December 2017 (audited)
FINANCIAL LIABILITIES				
Other debt and financing	987,595	995,598	661,214	731,896

14. SUBSEQUENT EVENTS

There is no subsequent event since 30 September 2018 and up to the date of those financial statements.

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