

Millicom International Cellular S.A.

Société Anonyme

Audited annual accounts
as at and for the year ended
December 31st, 2018

We believe in better.
We believe in **tigo**

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DIRECTORS' REPORT AND MANAGEMENT RESPONSIBILITY STATEMENT

Principal activities and background

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

Millicom operates mobile businesses in Central America (El Salvador, Guatemala and Honduras), in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana and Tanzania). The Group's operations in Rwanda and Senegal have been disposed of in the course of 2018.

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

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

On December 31st, 2018, the Company's shares were traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the U.S. under the symbol MIICF.

On January 9th, 2019, the Company started trading its shares on the Nasdaq Stock Market in the U.S. under the symbol TIGO. This new listing complements the company's existing Swedish Depositary Receipt (SDR) listing on Nasdaq Stockholm, where the symbol has been changed from MIC SDB to TIGO SDB.

The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

Group performance

The Group returned to solid top line growth as the strategy continued yielding positive results.

In 2018, Millicom's consolidated financial statements show total revenue for the Group was US\$ 4,074 million.

The Group's gross profit was US\$ 2,928 million, or a margin of 71.9 percent.

Group's operating expenses represented 41.1% of revenue, a slight increase compared to last year, mainly due to the acquisition costs for Cable Onda in Panama. Beside this effect, the Group has continued delivering on operational efficiencies which underpinned its margins and cash flows, delivering a lower operating cost run rate as well as Capex.

The Group's operating profit amounted to US\$ 645 million, a 16.8 percent margin impacted positively by the gain on tower deals in El Salvador, Colombia and Paraguay as well as a higher share of profit in the joint ventures in Guatemala and Honduras.

The Group's net financial expenses were US\$ 350 million, lower than for the same period last year mainly because 2017 figures included one-off costs in respect of early redemptions of the 2020 and 2021 Senior Notes outstanding bonds.

The Group's profit before taxes at US\$ 129 million included the effects of the increase in operating profit and decrease in interest expenses described above, negatively impacted by higher foreign exchange losses and higher losses from the joint venture in Ghana and associates.

The Group net tax charge in 2018 was US\$ 116 million leaving a net gain for the year from continuing operations at US\$ 13 million. The loss of US\$ (39) million from discontinued operations mainly reflected the loss on disposal of our business in Rwanda.

As a result, the Group net loss for the year was US\$ (26) million. The share of losses of non-controlling interests was US\$ 16 million.

The Group's net loss for the year attributable to Millicom owners was US\$ (10) million. Earnings per share was (0.10) cents.

Share Capital

At December 31st, 2018, Millicom had 101.7 million issued and paid up common shares of par value

US\$ 1.50 each, of which 913 thousand were held by the Company as treasury shares (2017: 1.2 million). During the year, the Company acquired approximately 70,000 shares and issued around 343,000 shares to management and employees under the LTIP remuneration plans and approximately 6,600 shares to Directors as part of their annual remuneration.

Distribution to Shareholders and Proposed Distributions

On May 4th, 2018, at the Annual General Meeting of shareholders, a dividend distribution of US\$ 2.64 per share was approved, and subsequently paid to the Shareholders in equal portions in May and November.

This year's proposed dividend is consistent with distributions in 2017 and 2018.

Risks and Uncertainty Factors

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

Further information on these and other key risks faced by the Group are set out in the Risk Management section on pages 22–25 in the Group Annual Report.

Financial Risk Management Objectives and Policies

Millicom's financial risk management policies and objectives, together with a description of the various risks and hedging activities undertaken by the Group, are set out in Section D financial risk management of the consolidated financial statements in the Group Annual Report.

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

Non-Financial Information

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

Management and Employees

Over recent years, the Group has developed many key functions and improved support to local operations, including in the areas of procurement, network development, marketing, IT, HR, compliance and finance. Since 2017, the Executive Management Team is complete.

At December 31st, 2018, the Group's headcount from continuing operations reached approximately 21,000, up from almost 19,000 at December 31st, 2017, the increase being mainly related to the acquisition of Cable Onda.

Outlook for the Group

The Group anticipates another solid year in 2019 marked by the continued expansion of the high-speed data networks and customer growth. For the Latam segment, we expect organic service revenue growth to range between 3% and 5%, while EBITDA is expected to grow at a faster rate, ranging between 4% and 6%, on a like-for-like basis. As usual, these organic growth rates are expressed in constant currency terms to exclude the impact of changes in FX and accounting standards. Finally, Latam segment capex should be slightly above \$1.0 billion, including about \$85 million at Cable Onda, which the Group continues to expect will generate EBITDA of approximately \$184 million.

Subsequent Event

On February 20th, 2019, the Group announced it has entered into agreements with Telefónica S.A. and certain of its affiliates (Telefónica), to acquire the entire share capital of Telefónica Móviles Panamá, S.A., Telefónica de Costa Rica TC, S.A. (and its wholly owned subsidiary, Telefónica Gestión de Infraestructura y Sistemas de Costa Rica, S.A.) and Telefonía Celular de Nicaragua, S.A. (together, Telefonica CAM) for a combined enterprise value of \$1,650 million (the Transaction) payable in cash. The Transaction is subject to customary closing conditions, including regulatory approval in each market, and closings are expected during H2 2019. Millicom has secured bridge funding commitments to finance the acquisition, and the bridge will be refinanced predominantly with the issuance of new debt by Millicom and its operating subsidiaries.

José Antonio Ríos García

Chairman of the Board of Directors

MANAGEMENT RESPONSIBILITY STATEMENT

We, Mauricio Ramos, Chief Executive Officer and Tim Pennington, Chief Financial Officer, confirm, to the best of our knowledge, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31st, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and that the Directors' report includes a fair review of the development and performance of the business and the position of Millicom International Cellular S.A., together with a description of the principal risks and uncertainties that Millicom International Cellular S.A. faces.

Luxembourg, February 28th, 2019

Mauricio Ramos

President and Chief Executive Officer

Tim Pennington

Chief Financial Officer

Independent auditor's report

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Millicom International Cellular S.A. ("the Company"), which comprise the balance sheet as at December 31st, 2018, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31st, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

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

Key audit matters

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

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

Risk identified

Millicom International Cellular S.A., as ultimate holding of the group, holds a number of shares in and loans to affiliated undertakings, which are operating mainly in emerging markets in the telecommunication sector. As described in Note 5 and Note 6, shares in affiliated undertakings and loans to affiliated undertakings are valued at cost less any durable impairment in value. At least annually, the Company evaluates the carrying value of the investments and the nominal value of the loans. Impairment losses are measured and recorded based on the difference between the estimated recoverable amount and the carrying amount of the asset. Impairment of shares in and loans to affiliated undertakings is considered a significant risk due to historical impairment, business industry and locations of these investments.

Our answer

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

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

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- » Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on May 4th, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

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

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

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

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

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, February 28th, 2019

MILLICOM INTERNATIONAL CELLULAR S.A.

BALANCE SHEET AS AT DECEMBER 31ST, 2018

	Notes	2018 USD	2017 USD
ASSETS			
Fixed assets			
Intangible assets	3		
Concessions, patents, licenses, trade marks and similar rights and assets, if they were acquired for valuable consideration and need not be shown under C.I.3		17,295,899	16,666,998
Payments on account and intangible fixed assets under development		289,136	
Tangible assets	4		
Other fixtures and fittings, tools and equipment		184,186	877,753
Payments on account and tangible assets in the course of construction		667,568	545,254
Financial assets	5		
Shares in affiliated undertakings		3,753,597,770	3,765,791,877
Participating interest		49,924,772	49,924,772
Other loans		58,279,843	200,864,346
		3,880,239,173	4,034,671,000
Current assets			
Debtors	6		
Amounts owed by affiliated undertakings			
becoming due and payable within one year		968,204,646	150,199,982
becoming due and payable after more than one year		—	—
Amounts owed by undertakings with which the company is linked by virtue of participating interests becoming due and payable within one year		8,219,826	5,614,748
Other debtors		2,414,637	1,804,346
Investments			
Own shares	7	57,938,121	80,891,074
Cash at bank and in hand		115,334,143	98,854,360
		1,152,111,373	337,364,511
Prepayments	8	26,472,794	16,683,854
TOTAL ASSETS		5,058,823,341	4,388,719,364

The accompanying notes are an integral part of these annual accounts

MILLICOM INTERNATIONAL CELLULAR S.A.
BALANCE SHEET AS AT DECEMBER 31ST, 2018—continued

	Notes	2018 USD	2017 USD
EQUITY AND LIABILITIES			
Capital and reserves	7		
Subscribed capital		152,608,826	152,608,826
Share premium account		398,324,314	375,371,342
Reserves			
Cashflow Hedge reserve		(27,671)	310,680
Legal reserve		16,357,968	16,357,968
Reserve for own shares		57,938,121	80,891,093
Profit or (loss) brought forward		313,729,150	963,978,514
Profit or (loss) for the financial year		910,552,729	(384,414,983)
		1,849,483,435	1,205,103,438
TOTAL EQUITY		1,849,483,435	1,205,103,438
Provisions	9		
Other provisions		19,797,371	309,009,233
Creditors			
Debt loans			
Non-convertible loans			
becoming due and payable within one year	10	250,000,000	25,000,000
becoming due and payable after more than one year	11	1,550,000,000	1,244,400,181
Amounts owed to affiliated undertakings	12		
becoming due and payable within one year		1,309,620,686	1,546,272,385
becoming due and payable after more than one year		900,000	900,000
Amounts owed to undertakings with which the company is linked by virtue of participating interests becoming due and payable within one year	13	214,523	836,527
Other creditors			
Tax authorities		9,189	2,209,513
Social security authorities		4,100,587	2,690,120
Other creditors becoming due and payable within one year	14		
		73,929,797	51,444,909
		3,188,774,782	2,873,753,634
Deferred income		767,754	853,060
TOTAL LIABILITIES		3,209,339,907	3,183,615,926
TOTAL EQUITY AND LIABILITIES		5,058,823,341	4,388,719,364

The accompanying notes are an integral part of these annual accounts

MILLICOM INTERNATIONAL CELLULAR S.A.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 2018

	Notes	2018 USD	2017 USD
Other operating income	15	436,824,958	167,965,514
Staff costs	16		
Wages and salaries		(38,398,316)	(32,262,584)
Social Security costs		(1,024,499)	(1,292,607)
Other staff costs		(1,832,983)	(1,733,901)
Value adjustments			
In respect of formation expenses and of tangible and intangible assets	3,4	(3,502,103)	(4,503,958)
In respect of current assets	6	(493,442)	(26,397,835)
Other operating charges	17	(206,357,270)	(366,429,608)
Income from participating interests	18		
derived from affiliated undertakings		813,989,863	39,155,613
Other interest and similar income			
derived from affiliated undertakings		6,205,460	10,308,691
other interest and similar income	19	18,780,519	21,242,701
Value adjustments in respect of financial assets and of investments held as current assets	20	(17,925,959)	(15,712,521)
Adjustments of other taxes and duties		495,763	
Interest payable and similar expenses			
Concerning affiliated undertakings		(1,795,111)	(2,007,500)
Other interest and similar expenses	21	(90,525,042)	(167,794,662)
Tax on profit or loss	22	(3,889,108)	(4,952,326)
Gain/(Loss) after taxation		910,552,729	(384,414,983)
Gain/(Loss) for the financial year		910,552,729	(384,414,983)

The accompanying notes are an integral part of these annual accounts

MILLICOM INTERNATIONAL CELLULAR S.A.

NOTES TO THE ANNUAL ACCOUNTS AS AT DECEMBER 31ST, 2018

NOTE 1—GENERAL INFORMATION

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

Millicom operates mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana and Tanzania). The Group’s operations in Rwanda and Senegal have been disposed of in the course of 2018.

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

Millicom has investments in online / e-commerce businesses in several countries in Latin America and Africa and an investment in a tower holding company in Africa.

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

On December 31st, 2018, the Company’s shares were traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the U.S. under the symbol MIICF.

On January 9th, 2019, the Company started trading its shares on Nasdaq Stock Market in the U.S. under the symbol TIGO. This new listing complements the company’s existing Swedish Depositary Receipt (SDR) listing on Nasdaq Stockholm, where the symbol has been changed from MIC SDB to TIGO SDB.

The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

2.2 Significant accounting policies

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

2.2.1 Going concern

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

2.2.2 Foreign currency translation

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

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

2.2.3 Intangible assets

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

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

Depreciation is calculated on a straight line basis.

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

2.2.4 Indefeasible rights of use

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

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

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

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

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

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

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

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

Otherwise the IRU will be considered as an operating lease.

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

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

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

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

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

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

2.2.5 Tangible assets

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

The depreciation rates and methods applied are as follows:

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

Depreciation is calculated on a straight-line basis.

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

2.2.6 Financial assets

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

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

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

2.2.7 Debtors

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

2.2.8 Prepayments

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

2.2.9 Debenture Loans

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

2.2.10 Cash at bank and in hand

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

2.2.11 Provisions

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

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

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

2.2.12 Share based compensation

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

2.2.13 Expense recognition

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

2.2.14 Other operating income

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

2.2.15 Leases

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

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

2.2.16 Derivative financial instruments

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

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

For hedge accounting purposes, hedges are classified as either:

- » Fair value hedges, when they hedge exposure to a change in the fair value of

a recognized asset or liability, or of a firm commitment (except for currency risk); or

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

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

To avoid any accounting mismatch, unrealized exchange losses and/or gains on financial assets and liabilities, being hedged with these derivative financial

instruments, are also recognized in the profit and loss account.

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

2.2.17 Own shares

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

NOTE 3—INTANGIBLE ASSETS

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

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Cost		
Opening balance	31,810,284	34,777,871
Additions	3,673,704	3,759,259
Disposals	(37,307)	(6,726,846)
Category transfers	1,576,961	—
Closing balance	37,023,642	31,810,284
Amortization		
Opening balance	(15,143,286)	(13,657,137)
Amortization charge of the year	(2,986,130)	(3,555,941)
Disposals	—	2,069,792
Category transfers	(1,309,191)	—
Closing balance	(19,438,607)	(15,143,286)
Net book value		
Opening balance	16,666,998	21,120,735
Closing balance	17,585,034	16,666,998

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

NOTE 4—TANGIBLE ASSETS

The movements were as follows:

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Cost		
Opening balance	7,205,470	6,949,505
Additions	215,697	909,197
Disposals	(202,850)	(653,232)
Category transfers	(1,576,961)	—
Closing balance	5,641,356	7,205,470
Depreciation		
Opening balance	(5,782,464)	(5,486,664)
Depreciation charge of the year	(515,973)	(948,016)
Disposals	199,645	652,216
Category transfers	1,309,191	—
Closing balance	(4,789,600)	(5,782,464)
Net book value		
Opening balance	1,423,007	1,462,842
Closing balance	851,754	1,423,007

Tangible assets include IT equipment and office furniture.

NOTE 5—FINANCIAL ASSETS

5.1 Shares in affiliated undertakings and participating interest

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

Name of the Company	Country	Carrying value 2018 US\$	Carrying value 2017 US\$	Percent shares held 2018 %	Percent shares held 2017 %
Millicom International Operations S.A. ⁽²⁾	Luxembourg	2,726,674,093	1,746,144,883	100	100
Millicom Spain S.L.	Spain	1,024,483,966	1,024,483,966	100	100
Millicom International Operations B.V. ⁽²⁾	Netherlands	—	994,831,999	—	11
Millicom SSC, S.A. DE C.V.	El Salvador	249,999	249,999	99.95	99.95
Shai Holding S.A.	Luxembourg	43,153	43,153	100	100
Millicom Global Employment Company S.à r.l.	Luxembourg	2,128,569	19,887	100	100
Millicom Services B.V.	Netherlands	10,000	10,000	100	100
Millicom Services AB	Sweden	7,786	7,786	100	100
Millicom International Services LLC	USA	100	100	100	100
Millicom USA Holdings LLC	USA	100	100	100	100
Millicom Services UK Ltd	United Kingdom	2	2	100	100
Millicom Telecommunications S.A.	Luxembourg	1	1	100	100
Millicom Rwanda Ltd. ⁽¹⁾	Rwanda	—	—	—	100
Total		3,753,597,770	3,765,791,877		

⁽¹⁾ On December 19th, 2017, Millicom announced that it has signed an agreement for the sale of its Rwanda operations to subsidiaries of Bharti Airtel Limited. The Company received regulatory approvals on January 23rd, 2018 and the sale was subsequently completed on January 31st, 2018. The consideration received has been recognised as a gain on disposal of the investment as the carrying value of the investment was nil due to the impairment recognised in prior years. The gain on disposal is recorded under the caption "Other operating income" in the profit and loss account (note 15).

⁽²⁾ On April 16th, 2018, the Company increased its investments in Millicom International Operations S.A. The Company made the contribution of all its shares in Millicom International Operations B.V. amounting to US\$ 981 million resulting in a loss of US\$ 14.2 million. The loss on disposal is recorded under the caption "Value adjustments in respect of financial assets and of investments held as current assets" in the profit and loss account. This contribution has been converted into share premium of Millicom International Operations S.A.

NOTE 5—FINANCIAL ASSETS—continued

5.1 Shares in affiliated undertakings and participating interest (continued)

The carrying values of the participating interest are as follows:

		Carrying value		Percentage of	Percentage of
		2018	2017	shares held	shares held
		US\$	US\$	2018	2017
MKC Brilliant Services GmbH ⁽¹⁾	Germany	—	—	35	35
Africa Internet Holding GmbH (AIH) ⁽²⁾	Germany	49,924,772	49,924,772	10.15	10.15
		49,924,772	49,924,772		

⁽¹⁾ Based on the annual impairment test performed in 2017, management concluded that impairment losses should be recorded on Millicom's investment in MKC Brilliant Services GmbH for US\$ 54 million and thereby reducing the carrying value of the investments to nil.

⁽²⁾ In January 2019, a new shareholder entered the capital of AIH which will have as an effect the dilution of the shareholding percentage of the Company in AIH from 10.15% to 9.63%. The amount paid for the purchase of shares by the new shareholder is higher than the carrying value of shares held by the Company. Therefore, management is of the opinion that no durable depreciation on the investments in AIH exists as of December 31st, 2018.

Management believes that appropriate value adjustments have been made and that no durable depreciation on investments, other than those already recorded, exists as of December 31st, 2018.

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

and the related consolidated management report and auditors' report thereon have been lodged with the Luxembourg Trade Registry.

Note 5.2—Other loans

Millicom's former subsidiary in Senegal had an agreement with Standard Bank whereby the bank provided loans to Millicom's subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank. The value of the deposit amounted to US\$ 161 million as of December 31st, 2017 and has been settled on January 24th, 2018 with an interest income of US\$ 0.5 million for the year (2017: US\$ 8 million).

The amount in other loans corresponds to a loan receivable towards the joint venture in Ghana amounting to US\$ 40 million which arose as a result of the merger of Tigo and Airtel's respective operations in Ghana. This loan ranks in priority to all other obligations of the combined entity owed to its shareholders. This loan bears interest of LIBOR +3% and is repayable by October 12th, 2022. The remaining amount of US\$ 18 million corresponds to a vendor loan receivable from Bharti Airtel Limited as part of the purchase consideration for the disposal of Rwanda. This loan bears interest of 3 month's LIBOR + 2.2% and is repayable by January 31st, 2020.

NOTE 6—DEBTORS

Debtors are mainly composed as follows:

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Amounts owed by affiliated undertakings before value adjustment becoming due and payable within one year	1,136,262,483	317,764,378
Value adjustments in amounts owed by affiliated undertakings becoming due and payable within one year ⁽²⁾	(168,057,837)	(167,564,395)
Amounts owed by affiliated undertakings after value adjustment becoming due and payable within one year ⁽¹⁾	968,204,646	150,199,982
Amounts owed by affiliated undertakings after value adjustment becoming due and payable after more than one year ⁽²⁾	—	—
Amounts owed by undertakings in which the company is linked by virtue of participating interests becoming due and payable within one year ⁽³⁾	8,219,826	5,614,748
Other receivables becoming due and payable within one year	2,414,637	1,804,346
Total	978,839,109	157,619,076

(1)	Total December 31 st , 2018		
	Amounts owed by	Amounts owed to	Net balance
Newcom Nicaragua S.A.	2,182	—	2,182
Comvik International (Vietnam) AB	27,082	(2,081)	25,001
MIC Africa B.V.	145,262	—	145,262
Millicom Americas L.L.C.	1,804,144	(1,509,672)	294,472
Millicom Global Employment Company S.à r.l.	327,297	—	327,297
Millicom Holding 100 B.V.	730,787	—	730,787
Millicom International Holding Ltd.	275,205	—	275,205
Millicom International III N.V.	81,038	—	81,038
Millicom International One S.L.	1,155,354	(963,943)	191,411
Millicom International Operations B.V.	159,661	(106,680)	52,982
Millicom International Ventures AB	80,044	—	80,044
Millicom Ireland Limited	322,074	—	322,074
Millicom LIH S.A. (MLIH) ⁽¹⁾	955,832,911	—	955,832,911
Millicom Payment Solutions Ltd.	505,542	—	505,542
Millicom Services B.V.	10,640	(10,000)	640
Millicom Spain, S.L.	63,723,445	(56,239,604)	7,483,841
Millicom Tchad S.A.	17,588	—	17,588
Mobile Cash Paraguay S.A.	23,333	—	23,333
Mobile Cash RDC S.à r.l.	49,106	—	49,106
Shai Holding S.A.	217,364	(110,768)	106,595
Telefónica Celular del Paraguay S.A.	892,068	(29,263)	862,805
Telemovil El Salvador, S.A. de C.V.	944,755	(150,226)	794,529
	1,027,326,883	(59,122,237)	968,204,646

NOTE 6—DEBTORS—continued

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

(*) On October 7, 2018, Millicom LIH S.A. entered into an agreement to acquire a controlling 80% stake in Cable Onda, the largest cable and fixed telecommunications services provider in Panama. The transaction valued 100% of Cable Onda at an enterprise value of \$1,460 million. The selling shareholders retained a 20% equity stake in the company. The transaction closed on December 13, 2018 after receipt of necessary approvals for a cash consideration of \$956 million. The receivable from Millicom LIH S.A. is in relation to this acquisition as the purchase price of US\$ 956 million was paid by the Company on behalf of Millicom LIH S.A. and therefore recorded as a receivable from Millicom LIH S.A. as the latter is the direct owner of the 80% stake in Cable Onda S.A.

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

⁽²⁾ As of December 31st, 2018, Management concluded that impairment losses should be recorded on certain amounts owed by affiliated undertakings. Impairment losses are recorded under the caption "Value adjustments on current assets" in the profit and loss account for an amount US\$ 0.5 million (2017: US\$ 26 million).

NOTE 6—DEBTORS—continued

⁽³⁾ Amounts owed by undertakings in which the Company is linked by participating interests are detailed below:

	Total December 31 st , 2018		
	Amounts owed by	Amounts owed to	Net balance
Comunicaciones Celulares, S.A.	2,577,268	(8,293)	2,568,975
Airtel Tigo Ghana (JV)	2,494,144	(25,139)	2,469,005
Navega, S.A. de C.V.	131,851	—	131,851
Servicios, Productos y Negocios, S.A. de C.V.	150,000	—	150,000
Servicios Innovadores de Comunicación y Entretenimiento, S.A.	34,602	—	34,602
Telefonica Celular, S.A de C.V.	3,056,716	(191,322)	2,865,394
	8,444,581	(224,755)	8,219,826

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

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

NOTE 7—CAPITAL AND RESERVES

7.1 Share capital and share premium

The authorized share capital of the Company totals 133,333,200 registered shares (2017: 133,333,200) consisting of 101,739,217 (2017: 101,739,217)

registered common shares at a par value of US \$1.50 each, of which at 31 December 2018, 913,583 are owned by the Company (2017: 1,194,846).

In 2018, 350,747 shares were issued to management, directors, and employees (2017: 232,729).

7.2 Reserve for own shares

In 2018, the Company re-purchased 69,652 shares for US\$ 6.1 million (2017: 35,511 shares for US\$ 3.1 million), and transferred a similar amount from share premium to reserve for own shares as required under Luxembourg law. The cost of shares issued during the year from treasury shares is US\$ 30.98 million. A fair value loss has been recognized in the profit and loss account of US\$ 5.6 million due to the issuance of shares under “Value adjustments in respect of financial assets and of investments held as current assets”.

At December 31st, 2018, the Company has booked a reversal of impairment on the value of the treasury shares amounting to US\$ 1.8 million under the same caption in the profit and loss account (2017: impairment of US\$ 39 million), in application of the Company’s accounting policy for own shares (2.2.17).

7.3 Legal reserve

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

NOTE 7—CAPITAL AND RESERVES—continued

7.4 Changes in shareholders' equity

The changes in shareholders' equity for 2018 and 2017 are shown below:

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

	Number of shares outstanding	Share capital US\$	Share premium US\$	Reserve for own shares US\$	Cash flow Hedge Reserve US\$	Legal reserve US\$	Accumulated profits US\$	Profit for the year US\$	Total share- holders' equity US\$
Balance as at December 31st, 2017	101,739,217	152,608,826	375,371,342	80,891,093	310,680	16,357,968	963,978,514	(384,414,983)	1,205,103,438
Allocation of 2017 result	—	—	—	—	—	—	(384,414,983)	384,414,983	0
Dividends	—	—	—	—	—	—	(265,834,381)	—	(265,834,381)
Acquisition of Own shares	—	—	(6,151,012)	6,151,012	—	—	—	—	—
Transfer from reserve for own shares	—	—	(1,871,051)	1,871,051	—	—	—	—	—
Cash flow hedge reserve	—	—	—	—	(338,351)	—	—	—	(338,351)
Long term incentive plans	—	—	30,975,034	(30,975,034)	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—	910,552,729	910,552,729
Balance as at December 31st, 2018	101,739,217	152,608,826	398,324,314	57,938,121	(27,671)	16,357,968	313,729,150	910,552,729	1,849,483,435

NOTE 7—CAPITAL AND RESERVES—continued

7.5 Long-term incentive plans

As of December 31st, 2018, the number of share awards expected to vest under the long-term incentive plans is as follows:

Plan awards and shares expected to vest (number of shares)	2018 Plans		2017 Plans		2016 Plans		2015 Plans			
	Performance Plan	Deferred plan	Performance Plan	Deferred plan	Performance Plan	Deferred plan	Performance Plan	Executive Plan	CEO Plan	Deferred plan
Initial shares granted	237,196	262,317	279,807	438,505	200,617	287,316	98,137	40,664	77,344	237,620
Additional shares granted ⁽ⁱ⁾	—	3,290	2,868	29,406	—	—	—	—	3,537	—
Total shares granted	237,196	265,607	282,675	467,911	200,617	287,316	98,137	40,664	80,881	237,620
Revision for forfeitures	(13,531)	(18,086)	(34,556)	(74,325)	(49,164)	(77,924)	(37,452)	—	—	(68,121)
Revision for cancellations	(4,728)	—	—	—	—	—	—	—	—	—
Total before issuances	218,927	247,521	248,119	393,586	151,453	209,392	98,137	40,664	80,881	169,499
Shares issued in 2016	—	—	—	—	(1,214)	(1,733)	(771)	—	(25,781)	(38,745)
Shares issued in 2017	—	—	—	(2,686)	(752)	(43,579)	(357)	—	(28,139)	(30,124)
Shares issued in 2018	(97)	(18,747)	(2,724)	(99,399)	(2,050)	(46,039)	(27,619)	(19,022)	(26,961)	(100,630)
Performance conditions	—	—	—	—	—	—	(31,938)	(21,642)	—	—
Shares expected to vest	218,830	228,774	245,395	291,501	147,437	118,041	—	—	—	—

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

Deferred Share Plan (unchanged since 2014)

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

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

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

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

Performance Share Plan (issued in 2015)

Under this plan, shares granted will vest at the end of the three-year period, subject

to performance conditions, 62.5% based on Absolute Total Shareholder Return ("TSR") and 37.5% based on actual vs budgeted EBITDA-CAPEX-Change in Working Capital ("Free Cash Flow"). As the TSR measure is a market condition, the fair value of the shares in the performance share plan requires adjustment for future market based conditions at grant date.

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

NOTE 7—CAPITAL AND RESERVES—continued

7.5 Long-term incentive plans (continued)

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

Executive Share Plan (new 2015)

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

Similar to the Performance Share Plan, a specific valuation has been performed based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions. The FCF condition being a non-market measure, it has been considered together with the leaving estimate and based initially on a

100% fulfillment expectation. Therefore, the reference share price is the share price on the date that the CEO and the CFO agreed to the Executive Share Plan.

Performance Share Plan (issued in 2016)

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

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

Performance share plan (for plans issued in 2016 and 2017)

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

This performance share plan is measured similarly to the performance share plan issued in 2015, see above.

Performance share plan (for plan issued in 2018)

Shares granted under this performance share plan vest at the end of the three-year period, subject to performance conditions, 25% based on Relative Total Shareholder Return (“Relative TSR”), 25% based on the achievement of the Service Revenue target measured on a 3-year CAGRs from years 2018 to 2020 (“Service Revenue”) and 50% based on the achievement of the Operating Free Cash Flow (“Operating Free Cash Flow”) target measured on a 3-year CAGRs from years 2018 to 2020.

NOTE 8—PREPAYMENTS

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Unamortized loan origination costs ^(*)	24,437,207	14,736,766
Other prepayments	2,035,587	1,947,088
	26,472,794	16,683,854

(*) As at December 31st, 2018, unamortized loan origination costs amount to US\$ 24 million (2017: US\$ 15 million). In 2018, US\$ 2 million has been written off due to early voluntary redemption of SEK bonds and US\$ 7 million has been recorded due to the issue of the new bonds (See note 11). Also, there was an addition of US\$ 6 million for the consent fees paid for the 2015 and 2017 US\$ 500 million bonds with respect to the change in the terms of these bonds. The amortization for the year of US\$ 2 million is recorded under “other interest and similar expenses” in the profit and loss.

NOTE 9—OTHER PROVISIONS

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Derivative financial instrument (See Note 11)	27,671	55,153,025
Provisions for guarantees on intercompany loans (Note a)	12,000,000	237,400,000
Income Tax Risk provision (Note 23)	1,200,000	–
Other provisions (Note b and c)	6,569,700	16,456,208
	19,797,371	309,009,233

^(a) It is related to the risks of some of the Company’s subsidiaries for which the Company acts as guarantor as well as a provision for other expenses directly linked with the disposal of DRC (US\$ 12 million). For the year ended December 31st, 2017, this included a provision of US\$ 225 million for the guarantee provided to Millicom Mauritius Ltd and related to the obligations of the Rwanda operations. During 2018, the Rwanda operations have been disposed of by the Company which recognized the actual gain on disposal and reversed the provision initially recorded in 2017. Both transactions are recorded under the caption “Other operating income” in the profit and loss account (note 15).

^(b) Restructuring plan: On October 9th, 2018, the Company has announced a restructuring plan to relocate the majority of its Luxembourg-based employees to Miami (USA) and El Salvador. The restructuring plan has been formally communicated to the employees affected by the plan in 2018. Accordingly, as of December 31st, 2018, an amount of US\$ 4.3 million has been recognized related to the restructuring provision.

The remaining amount in the other provisions is mainly related to a litigation process for Ghana amounting to US\$ 1.9 million.

^(c) El Salvador tax risk provision: In 2017, management had recorded a provision related to the certain tax risks in El Salvador for an amount of US\$ 16 million. In the current year, the provision has been reversed as the local operations finally settled the tax risk (Note 14/Note 22).

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

	Within one year	Total 31 December 2018	Total 31 December 2017
	US\$	US\$	US\$
US\$50 million Libor 6M + 2.25% ^(a)	—	—	25,000,000
US\$250 million Libor 6M + 1.5% ^(b)	250,000,000	250,000,000	—
Revolving Credit Facility ^(c)	—	—	—
Total	250,000,000	250,000,000	25,000,000

a) Term loan facility

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

b) Term loan facility

In October 2018, the Company entered into a US\$ 1 billion term loan facility agreement with a consortium of banks (the “Bridge Facility”). The Bridge Facility matures in October 2019 (unless extended for a period not exceeding six months). Interest on amounts drawn under the Bridge Facility is payable at LIBOR plus a variable margin. At December 31st, 2018, US\$ 750 million were cancelled and US \$ 250 million have been drawn under this facility and will be repaid in March 2019. The facility bears variable interest rate at LIBOR 6 months + 1.5 % per annum.

c) Revolving Credit Facility

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

Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5 % . As of December 31st, 2018, the committed facility was fully undrawn.

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

	After one year and within five years	More than five years	Total 31 December 2018	Total 31 December 2017
	US\$	US\$	US\$	US\$
SEK Senior Unsecured Notes 2019 ^(a)	—	—	—	244,400,181
US\$ 500 million 6% Senior Notes ^(b)	—	500,000,000	500,000,000	500,000,000
US\$ 500 million 5,125% Senior Notes ^(c)	—	500,000,000	500,000,000	500,000,000
COP 144 billion 9,45% Senior Notes ^(d)	—	50,000,000	50,000,000	—
US\$ 500 million 6,625% Senior Notes ^(e)	—	500,000,000	500,000,000	—
Total	—	1,550,000,000	1,550,000,000	1,244,400,181

The total interest expense on the above debts amounted to US\$ 83,731,058 for the year (2017: US\$ 99,284,347) and is presented in the “Other interest and similar expenses” caption (note 21).

a) SEK Senior Unsecured Notes

In August 2018, the Company redeemed of all of the aggregate principal amount of the outstanding SEK Senior Unsecured Notes due 2019 (US\$ 227 million). The early redemption fees amounting to US\$ 3 million and US\$ 1 million of related unamortized costs have been expensed in August 2018 under interest expenses. As of December 31st, 2018, the notes have been fully redeemed.

b) US\$ 500 million 6% Senior Notes

On March 11th, 2015, Millicom issued a US\$ 500 million 6% fixed interest rate bond repayable in ten years, to repay the El Salvador 8% Senior Notes and for general corporate purposes. The bond was issued at 100% of the principal and has an effective interest rate of 6.132%. US\$ 7.2 million of withheld and upfront costs are being amortized over the 10-year life of the bond.

c) US\$ 500 million 5.125% Senior Notes

On September 20th, 2017, Millicom issued a US\$ 500 million 5.125% fixed interest rate bond repayable in 10 years. The bond was issued at 100% of the principal and has an effective interest rate of 5.244%. US\$ 9.2 million of withheld and upfront costs are presented under the caption “prepayments” and amortized under “other interest and similar expenses” over the 10-year life of the bond.

d) COP 144 million 9.45% Senior Notes

In July 2018, the Company issued a COP144,054.5 million /US\$ 50 million bilateral facility with IIC (Inter-American Development Bank) for a US\$ indexed to COP Note. The note bears interest at 9.45% p.a. This COP Note is used as net investment hedge of the net assets of our operations in Colombia. US\$ 1.2 million of withheld and upfront costs are presented under the caption “prepayments” and amortized under “other interest and similar expenses” over the 7-year life of the bond.

e) US\$ 500 million 6.625% Senior Notes

On October 16th, 2018, Millicom issued a US\$ 500 million 6.625% fixed interest rate bond repayable in 8 years. The bond was issued at 100% of the principal and has an effective interest rate of 6.748%. US\$ 6 million of withheld and upfront costs are presented under the caption “prepayments” and amortized under “other interest and similar expenses” over the 8-year life of the bond.

f) Guarantees

In the normal course of business, the Company has issued guarantees to secure some of the obligations of some of the Group’s operations under bank supplier financing agreements. As of December 31st, 2018, the outstanding exposure for guarantees issued by the Company to cover debt and financing in the operations amounted to US\$ 626 million (2017: US\$ 671 million).

g) Currency and interest rate swap contracts

Interest rate and currency swaps on SEK denominated debt matured in April 2018 and were settled against a cash payment of US\$ 63 million. For the year 2018, a loss of US\$ 2 million has been recorded on the settlement of SEK swaps under the caption “Other operating charges” in the profit and loss account.

NOTE 12—AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

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

	Total December 31st, 2018		
	Amounts owed to	Amounts owed by	Net balance
Colombia Movil S.A.	(314,087)	88,322	(225,764)
Comvik International AB	(85,580)	14,900	(70,680)
Mic Latin America B.V.	(2,516,566)	56	(2,516,510)
MIC Tanzania Limited	(3,457,531)	1,214,502	(2,243,029)
Millicom Cable Costa Rica, S.A.	(201,741)	182,067	(19,674)
Millicom Cable N.V.	(10,193,545)	—	(10,193,545)
Millicom Digital Ventures AB	(100,388)	12,497	(87,891)
Millicom Holding B.V.	(5,852,198)	104,165	(5,748,033)
Millicom International Enterprises AB	(9,826,547)	4,729,269	(5,097,278)
Millicom International II N.V.	(205,797,190)	5,682,760	(200,114,430)
Millicom International Operations S.A. ^(*)	(971,272,093)	176,649	(971,095,444)
Millicom International Services LLC	(54,297,525)	8,661,447	(45,636,078)
Millicom International SL	(36,839)	12,276	(24,563)
Millicom International V N.V.	(2,196,288)	—	(2,196,288)
Millicom Services AB	(48,003,287)	—	(48,003,287)
Millicom Services U.K.	(14,375,327)	2,311,268	(12,064,058)
Millicom SSC, S.A. de C.V.	(729,640)	26,731	(702,909)
Millicom Telecommunications B.V.	(2,719,767)	1,549,480	(1,170,286)
Telefonica Celular De Bolivia S.A.	(490,049)	239,747	(250,303)
UNE EPM TELECOMUNICACIONES S.A.	(644,814)	55,807	(589,006)
Zantel (Zanzibar Telecom Ltd)	(63,047)	—	(63,047)
Others	(2,349,067)	840,483	(1,508,584)
	(1,335,523,11)	25,902,428	(1,309,620,686)

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

(*) As of December 31st, 2018, the Company has intercompany payables owed to Millicom International Operation S.A., a direct subsidiary of the Company, for an amount of US\$ 971 million. MIO S.A. has provided an undertaking confirming that it will not recall for the repayment of the intercompany payable of US\$ 971 million until the Company has the ability to do so.

NOTE 12—AMOUNTS OWED TO AFFILIATED UNDERTAKINGS—*continued*

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

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

	Total December 31 st , 2018		
	Amounts owed to	Amounts owed by	Net balance
Millicom Re S.A.	(900,000)	—	(900,000)
	(900,000)	—	(900,000)

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

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

NOTE 13—AMOUNTS OWED TO AFFILIATED UNDERTAKINGS IN WHICH THE COMPANY IS LINKED BY PARTICIPANTS INTERESTS

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

	Total December 31 st , 2018		
	Amounts owed by	Amounts owed to	Net balance
Servicios Especializados en Telecomunicaciones, S. A.	(214,523)	—	(214,523)
	(214,523)	—	(214,523)

NOTE 14—OTHER CREDITORS BECOMING DUE AND PAYABLE WITHIN ONE YEAR

As at December 31st, 2018, amounts due to other creditors amounted to US\$ 74 million (2017: US\$ 51 million) and mainly related to accrued interest payable on debt and accrued expenses for legal and other professional fees.

NOTE 15—OTHER OPERATING INCOME

Amount is composed as follows:

	Total December 31 st , 2018	Total December 31 st , 2017
	US\$	US\$
Value creation fees	158,288,571	147,594,006
Other intercompany revenue	22,597,746	18,689,093
Other income ^(*)	255,938,642	1,682,415
	436,824,958	167,965,514

(*) Other income mainly includes the following:

- (a) \$229 million correspond to the reversal of a provision booked in 2017 in respect of the guarantee provided by the Company to Millicom Mauritius Ltd. as well as the gain realized in 2018 related to the disposal of our operations in Rwanda (note 9).
- (b) Reversal of US\$ 16 million accrual booked in 2017 related to the tax risk in El Salvador. This provision is no longer needed since the local operations has finally paid the tax charge (note 9 and note 22).
- (c) Reversal of a provision of US\$ 9 million related to the disposal of our operations in the Democratic Republic of Congo.

NOTE 16—STAFF COSTS

The average number of permanent employees during 2018 was 66 (2017: 78).

NOTE 17—OTHER OPERATING CHARGES

Amount is composed as follows:

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Director fees	1,456,301	2,075,677
Business support services ^(*)	113,777,154	82,554,485
Bandwidth charges	12,671,373	13,576,286
Consultancy fees	14,975,438	4,992,324
Legal fees	11,479,997	10,480,761
Tax, accounting and audit charges	10,131,585	4,081,332
External services	26,710,144	18,000,920
Other (note 15)	15,155,279	230,667,823
	206,357,270	366,429,608

(*) Business support services represent the expenses incurred by the regional offices in Miami and U.K. which are recharged to the Company. These expenses are further recharged by the Company to the Group entities through the Value Creation Fees.

NOTE 18—INCOME FROM PARTICIPATING INTERESTS DERIVED FROM AFFILIATED UNDERTAKINGS

In 2018, the Company received dividends of US\$ 814 million (2017: US\$ 39 million), including US\$ 10 million from Millicom Services AB, (2017: US\$ nil), US\$ 800 million from Millicom International Operations S.A. (2017: US\$ nil) as well as US\$ 4 million from Millicom International Services UK Ltd. (2017: US\$ 5 million).

NOTE 19—OTHER INTEREST AND SIMILAR INCOME

Amount is composed as follows:

	Total December 31 st , 2018 US\$	Total December 31 st , 2017 US\$
Interest income	3,987,537	2,229,424
Foreign exchange gain	14,792,983	19,013,277
	18,780,519	21,242,701

NOTE 20—VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS

Amount is composed as follows:

	Total December 31 st , 2018	Total December 31 st , 2017
Reversal of Impairment of treasury shares (note 7)	—	38,752,855
Impairment of treasury shares (note 7)	(3,725,959)	—
Impairment of shares in undertakings with which the company is linked by virtue of participating interest	—	(54,465,375)
Loss on disposal of shares in affiliated undertakings and participating interest (note 5)	(14,200,000)	—
Total	(17,925,959)	(15,712,521)

During the year, a loss has been realized on the disposal of the shares in Millicom International Operations B.V. amounting to US\$ 14.2 million.

NOTE 21—OTHER INTEREST AND SIMILAR EXPENSES

	Total December 31 st , 2018	Total December 31 st , 2017
Interest on bonds/loans	75,444,562	94,175,414
Early redemption charges (note 11)	3,950,229	43,047,604
Amortization of bond issuance cost (note 8)	8,286,496	5,108,933
Fair value movements on derivative instruments (note 11)	—	22,021,838
Other	2,843,755	3,440,872
Total	90,525,042	167,794,662

NOTE 22—TAX ON PROFIT OR LOSS

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

Tax charges for 2018 comprised withholding taxes on consultancy, royalty and technical fees charged to affiliated companies for US\$ 3.9 million (2017: US\$ 5 million).

Starting from the fiscal year 2017, the tax consolidation, if MICSA has started to include the other Luxembourg entities of the Group. The tax losses carried forward of MICSA fiscal unity amount to approximately US\$ 4,085 million. Out of the US\$ 4,085 million approximately US\$ 493 million expire in 17 years per the Luxembourg law, the other US\$ 3,593 million do not expire.

Tax authorities in El Salvador disallowed the deduction of certain interest expenses under the thin capitalization rules during the tax audit for the year 2013. This generated a tax risk of US\$ 18 million. In 2017, the Company had booked a provision in its books (based on a guarantee agreement with Telemovil El Salvador) for US\$ 16 million. In current year, the Company has decided to participate in the Tax Amnesty introduced in El Salvador. According to the tax amnesty, only the principal tax in dispute of US\$ 10 million was due without

penalties or interest which has been settled by the local operations in El Salvador. Therefore, when the Tax Amnesty was filed and accepted, the provision booked in Millicom International Cellular S.A. was reversed for an amount of US\$ 16 million.

NOTE 23—COMMITMENTS AND CONTINGENCIES

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

As of December 31st, 2018, the total amount of claims, litigation and tax risks against the Company was US\$ 9 million (2017: US\$ 28 million) of which US\$ 2 million was provided for (2017: US\$ 17.2 million).

Improper filing of shareholding in MIC Tanzania Public Limited Company

In June 2016, Millicom was served with claims by a third party seeking to exert rights as a shareholder of MIC Tanzania Public Limited Company. In June 2015, Millicom identified that an incorrect filing related to MIC Tanzania Public Limited Company had been made in the commercial register, causing the register to incorrectly indicate that shares in the local subsidiary were owned by this third party. On July 26, 2018, the Court of Appeal of Tanzania, the country’s highest court, reaffirmed in a ruling that MIC Tanzania Public Limited Company remains owned and controlled by Millicom. Late 2018, the

opposite party has filed a review of the ruling by the same Court of Appeals, which already ruled in Millicom’s favor. Millicom considers the success of this review as remote and therefore continues to control and fully consolidate MIC Tanzania Public Limited Company.

Capital commitments

At December 31st, 2018, the Company and its subsidiaries and joint ventures had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of US\$ 154 million of which US\$ 126 million are due within one year (December 31st, 2017: US\$ 194 million of which US\$ 182 million are due within one year). Out of these commitments, respectively US\$ 66 million and US\$ 56 million related to Millicom’s share in joint ventures (December 31st, 2017: US\$ 25 million and US\$ 23 million).

Operating lease commitments

At December 31st, 2018 the Company had operating lease commitments of US\$ 3.2 million (December 31st, 2017: US\$ 1.9 million).

Dividends

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

NOTE 24—RELATED PARTY TRANSACTIONS

Subsidiaries, joint-ventures and associates of Millicom Group

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

Kinnevik

Millicom's principal shareholder is Kinnevik AB ("Kinnevik"). Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At December 31st, 2018, Kinnevik owned approximately 37% of Millicom (2017: 37%). During 2018 and 2017, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of Kinnevik or Kinnevik controlled entities.

During 2018 and 2017, the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

NOTE 25—AUDIT FEES

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

NOTE 26—SUBSEQUENT EVENTS

Nasdaq

On January 9th, 2019, Millicom shares began trading on the Nasdaq Stock Market in the U.S. under ticker symbol TIGO.

Dividend

On February 7th, 2019, Millicom's Board decided to propose to the Annual General Meeting of the shareholders a dividend distribution of US\$ 2.64 per share to be paid in two equal installments in May and November 2019, out of Millicom's profits for the year ended December 31, 2018. The Annual General Meeting to vote on this matter is scheduled for May 2, 2019.

Telefónica acquisition

On February 20th, 2019, the Company announced it has entered into agreements with Telefónica S.A. and certain of its affiliates (Telefónica), to acquire the entire share capital of Telefónica Móviles Panamá, S.A., Telefónica de Costa Rica TC, S.A. (and its wholly owned subsidiary, Telefónica Gestión de Infraestructura y Sistemas de Costa Rica, S.A.) and Telefonía Celular de Nicaragua, S.A. (together, Telefonía CAM) for a combined enterprise value of \$1,650 million (the Transaction) payable in cash. The Transaction is subject to customary closing conditions, including regulatory approval in each market, and closings are expected during H2 2019. Millicom has secured bridge funding commitments to finance the acquisition, and the bridge will be refinanced predominantly with the issuance of new debt by Millicom and its operating subsidiaries.