COMCEL TRUST
Combined Financial Statements
For the year ended 31 December 2018

26 April 2019

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Independent auditor's report on the combined financial statements

To the Shareholders of
Tigo Guatemala

Opinion

We have audited the combined financial statements of the entities under control of Millicom International II N.V. and Miffin Associates Corp operating in Guatemala ("Tigo Guatemala" or the "Group" note 1), which comprise the combined statement of financial position as of 31 December 2018, and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of Tigo Guatemala as of 31 December 2018 and its combined financial performance and its combined cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRSs).

Basis for opinion

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

Emphasis of matter – Adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments

As discussed in note 2.23 to the combined financial statements, the Group changed its method of accounting for revenue recognition from contracts with customers and for the classification, measurement, recognition and impairment of financial assets and financial liabilities as well as hedging, starting on January 1, 2018 due to the respective adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

Key audit matters

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

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

1. Revenue recognition
The Group's revenue consists of mobile and data telephony services, corporate solutions, fixed-line broadband, fixed-line telephone, cable TV and mobile financial services to retail and business customers. Revenue from these services is considered a significant risk due to both the bundling of these services and the complexity of the Group's systems and processes used to record revenue. Also, the application of revenue recognition accounting standards is complex and involves a number of key judgements and estimates and the high volume of transaction leading to heightened susceptibility to manipulation, especially in the light of the IFRS 15 application.

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

- We understood and assessed the overall IT control environment and the IT controls in place, assisted by our information technology specialists. We tested the operating effectiveness of controls around access rights, system development, program changes and IT dependent business controls to establish that changes to the system were appropriately authorized and also developed and implemented properly, including those over: set-up of customer accounts, pricing data, segregation of duties and the linkage to usage data that drives revenue recognition.
- We tested the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger.
- We tested transactions for main revenues streams, prepaid, postpaid, interconnection, telephone, and equipment, tracing back the transaction to the supporting documentation.
- We assessed the accounting applied to commercial offers, particularly in light of the revenue recognition criteria set by IFRS 15.
- We assessed the adequacy of the assumptions used by the Management in the process of determination of significant judgements and estimates relating to the application of IFRS 15. Those judgements include mainly the determination of the standalone selling price of handsets, assessment of the adjusted contract term, agent versus principal considerations and the use of a practical expedient in relation to the significant financing component.
- We performed tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills.
- We tested substantively deferred income, through validation reports used in its determination at period end.
- We tested cash receipts for a sample of customers back to the customer invoices.
- We performed analytical procedures over the different revenue streams and deferred revenue and confronted the results of said procedures against our expectations based on industry benchmarks, and against certain key performance indicators taking into consideration disconnections, installations, changes in rates and trends in deferred revenue days, among others.
- We assessed the adequacy of the provision for impairment of trade receivables, including the appropriateness of the methodology used to calculate the provision, and analyzing individual significant long outstanding balances.
- We assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition as disclosed in Note 2.18 of the combined financial statements.

2. Ongoing investigation
On 14 July 2017, the International Commission Against Impunity in Guatemala (CICIG), disclosed an ongoing investigation into alleged illegal campaign financing that includes Comcel. The CICIG further indicated that the investigation would include Comcel. On November 23 and 24, 2017, Guatemala's attorney general and CICIG executed search warrants on the offices of Comcel.

Considering the current situation, the Group has not been able to estimate the outcome of this case and therefore the potential financial impact on its financial position and accordingly, has disclosed these matters in Note 23 of the combined financial statements.

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Our audit procedures included, amongst others:

- We inquired of the Combined Group lawyers dealing with the matter and we obtained external confirmation from these lawyers as part of our audit procedures. We also inquired of Group management on the matter.
- We inquired of Millicom's Head of Compliance to understand the remediation actions taken from an internal control perspective and involved our forensic specialists to discuss such remediation with management.
- We tested that the Millicom's updated Anti-Bribery and Anti-Corruption policy and Code of Conduct have been rolled out in Group's operations.
- We performed test of controls over the procure to pay process.
- We assessed the adequacy of the Group's disclosures in respect of these matters as set out in Note 23.

3. Capitalization of property, plant and equipment and intangible assets with definite useful lives and assessment of useful lives

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

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

4. Information technology systems and controls

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Group financial reporting process.

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

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

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

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

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

ERNST & YOUNG S.A.

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Guatemala City, Guatemala
26 April 2019

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Combined Income Statement for the year ended 31 December 2018

US$ '000	Notes	2018	2017
Airtime		1,019,157	1,029,873
Telephone and equipment		172,836	145,340
Home subscriptions		102,268	82,540
Data links		45,321	44,927
Other income		29,185	18,696
Revenue from contract with customers	5	**1,368,767**	**1,321,376**
Cost of sales		(294,831)	(242,854)
Gross profit	5	**1,073,936**	**1,078,522**
Operating expenses		(384,410)	(417,538)
Depreciation and amortization		(197,073)	(205,995)
Other operating expenses, net		(8,762)	(17,624)
Operating profit	5	**483,691**	**437,365**
Interest expense	15	(72,691)	(72,922)
Interest and other financial income		17,562	13,294
Foreign exchange gain (loss), net		(22,920)	12,542
Profit before taxes		**405,642**	**390,279**
Charge for taxes, net	7	(68,695)	(74,055)
Net profit for the period		**336,947**	**316,224**

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

Combined Statement of Comprehensive Income for the year ended 31 December 2018

US$ '000	2018	2017
Net profit for the period	336,947	316,224
Other comprehensive income, net of tax:		
Item that may be reclassified to the income statement in subsequent periods		
Exchange differences on translation of operations to the US dollars reporting currency	(17,886)	12,247
Total comprehensive income for the period	**319,061**	**328,471**

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

Combined Statement of Financial Position as at 31 December 2018

US$ '000	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	8	175,351	150,835
Property, plant and equipment, net	9	573,789	646,836
Contract costs, net	2.23	2,451	—
Deferred tax assets	7	16,724	11,989
Amounts due from related parties (non-current)	24	245,010	225,010
Income tax assets	7	6,616	6,624
Supplier advances for capital expenditure		230	6,106
Other non-current assets		2,770	2,910
TOTAL NON-CURRENT ASSETS		**1,022,941**	**1,050,310**
CURRENT ASSETS			
Inventories	10	25,204	29,704
Trade receivables, net	11	43,043	55,446
Contract assets, net	2.23	57,257	24,802
Amounts from related parties	24	329,269	279,174
Prepayments		5,263	4.572
Other current assets		23,552	28,518
Restricted cash	12	5,768	5,254
Cash and cash equivalents	12	214,084	295,617
TOTAL CURRENT ASSETS		**703,440**	**723,087**
TOTAL ASSETS		**1,726,381**	**1,773,397**

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

Combined Statement of Financial Position as at 31 December 2018 (Continued)

US$ '000	Notes	31 December 2018	31 December 2017
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	13	14,009	14,009
Equity contribution reserve		12,043	10,734
Other reserves		88,122	106,008
Retained earnings		424,901	376,035
TOTAL EQUITY		**539,075**	**506,786**
LIABILITIES			
Non-current liabilities			
Other debt and financing	15	926,868	995,598
Provisions and other non-current liabilities	20	43,131	46,028
Deferred tax liabilities	7	8,791	6,258
Total non-current liabilities		**978,790**	**1,047,884**
Current liabilities			
Amounts due to related parties	24	13,761	19,040
Payables and accruals for capital expenditure	16	58,053	33,127
Trade payables	17	22,125	38,454
Accrued interest and accrued expenses	18	66,228	71,366
Current income tax liabilities	7	6,688	8,120
Contract liabilities	19	28,224	37,182
Provisions and other current liabilities	20	13,437	11,438
Total current liabilities		**208,516**	**218,727**
TOTAL LIABILITIES		**1,187,306**	**1,266,611**
TOTAL EQUITY AND LIABILITIES		**1,726,381**	**1,773,397**

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

Combined Statement of Cash Flows for the year ended 31 December 2018

US$ '000	Notes	31 December 2018	31 December 2017
Cash flows from operating activities			
Profit before taxes		**405,642**	**390,279**
Adjustments to reconcile to net cash:			
Interest expense		72,691	72,922
Interest and other financial income		(17,562)	(13,294)
Foreign exchange (gain) / loss, net		22,920	(12,542)
Adjustments for non-cash items:			
Depreciation and amortization	8,9	197,073	205,995
Loss on disposal and impairment of assets	5	7,943	19,639
Share-based compensation	14	1,309	1,547
		690,016	**664,546**
Decrease / (Increase) in trade receivables, prepayments and other current assets		15,605	(19,541)
Decrease / (Increase) in inventories		3,103	(12,487)
(Decrease) / Increase in trade and other payables		(24,167)	20,858
Changes in working capital		**(5,459)**	**(11,170)**
Interest paid		(68,957)	(69,944)
Interest received		5,110	3,897
Taxes paid		(74,245)	(73,200)
Net cash provided by operating activities		**546,465**	**514,129**
Cash flows from investing activities:			
Loans granted to related parties		(335,000)	(285,000)
Acquisition of business, net of cash acquired	4	(32,347)	(1,006)
Purchase of property, plant and equipment	9	(123,556)	(145,250)
Purchase of intangible assets	8	(7,540)	(30,241)
Proceeds from sale of property, plant and equipment		1,296	412
Proceeds from sale of intangibles		23	—
Net (Decrease) / Increase in restricted cash		(2,652)	732
Net cash used by investing activities		**(499,776)**	**(460,353)**
Cash flows from financing activities:			
Repayment of debt and financing		(60,590)	—
Income tax withheld on dividends paid	21	(15,486)	(15,303)
Payment of dividends	21	(48,440)	(22,877)
Net cash used by financing activities		**(124,516)**	**(38,180)**
Exchange gains on cash and cash equivalents, net		(3,706)	(3,504)
Net (Decrease) / Increase in cash and cash equivalents		**(81,533)**	**12,092**
Cash and cash equivalents at the beginning of the year		295,617	283,525
Cash and cash equivalents at the end of the year		**214,084**	**295,617**

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

Combined Statements of Changes in Equity for the years ended 31 December 2018

US$ '000	Share capital (000's)	Equity Contribution Reserve (i) (000's)	Other reserves (iii) (000's)	Retained earnings (000's)	Total equity (000's)
At January 1, 2017 (1)	**14,009**	**9,187**	**93,761**	**365,471**	**482,428**
Profit for the year	—	—	—	316,224	316,224
Currency translation differences	—	—	12,247	—	12,247
Total comprehensive income for the period	—	—	**12,247**	**316,224**	**328,471**
Dividends (ii)	—	—	—	(305,660)	(305,660)
Share based compensation	—	1,547	—	—	1,547
At January 1, 2018	**14,009**	***10,734***	***106,008***	***376,035***	***506,786***
Effect on adoption of IFRS 15 (iv)	—	—	—	38,962	38,962
Effect on adoption of IFRS 9 (iv)	—	—	—	(5,346)	(5,346)
At January 1, 2018 restated	—	—	—	**409,651**	**540,402**
Profit for the year	—	—	—	336,947	336,947
Currency translation differences	—	—	(17,886)	—	(17,886)
Total comprehensive income for the period	—	—	**(17,886)**	**336,947**	**319,061**
Dividends (ii)	—	—	—	(321,697)	(321,697)
Share based compensation	—	1,309	—	—	1,309
Balance on 31 December 2018	**14,009**	***12,043***	***88,122***	***424,901***	***539,075***

(1) Prior periods are not restated for the application of IFRS 15 and 9, as the Company elected the modified retrospective approach for both standards
(i) Share-based compensation – see note 14.
(ii) Dividends – see note 21.
(iii) Other reserves include legal reserves of $88 million and currency translation differences for $(18) million in 2018 (2017 $12 million. Legal reserves are not distributable.
(iv) See note 2.23 for details about changes in accounting policies.

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

Notes to the Combined Financial Statements for the year ended 31 December 2018

1. ORGANIZATION

The combined financial statements are composed of ten companies (the "Combined Group", Tigo Guatemala Companies or "Comcel Trust") 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 15). The Comcel Trust is not a separate legal entity under Cayman Islands law. Intertrust SPV (Cayman) Limited as Trustee carries out the purposes for which the Comcel Trust was established. All references herein to the Comcel Trust shall be construed as references to Intertrust SPV (Cayman) Limited acting as Trustee under the Declaration of Trust.

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

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

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

Our combined financial statements only include subsidiaries of the Tigo Guatemala Companies located in Guatemala and therefore do not consolidate other subsidiaries outside Guatemala that are not material over which the Combined Group has control as of, and for, the periods presented. These subsidiaries represented less than 1% of the combined total revenue, less than 1% of the combined EBITDA, 1% of the combined total assets and less than 1% of the combined total liabilities of the Combined Group as of, and for the twelve-month period ended 31 December 2018.

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

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

1. ORGANIZATION (Continued)

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.

The representatives to the Board of Directors ("Board") of Comunicaciones Celulares, S.A. and the other Tigo Guatemala companies have authorized for issue these combined financial statements on 26 April 2019.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

The preparation of financial statements in conformity with IFRSs requires management to exercise its judgment in the process of applying IFRSs. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in note 3.

2.2 Combination

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

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

2.3 Foreign currency translation

Functional and presentation currencies

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

The following table presents relevant currency translation rates to the U.S. dollar as at 31 December 2018 and 2017 and average rates for 2018 and 2017:

Country	Currency	2018 Average rate	2018 Year-end rate	2017 Average rate	2017 Year-end rate
Guatemala	Quetzal	7.52	7.74	7.36	7.34

Transactions and balances

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

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

Translation into presentation currency

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

i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;
ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
iii) All resulting exchange differences are recognized as a separate component of equity ("Other reserves").

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

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

2.4 Property, plant and equipment

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

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

Estimated useful lives are:

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

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

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Combined Group. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commenced.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Combined Group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement in the financial period in which they are incurred. Costs of major inspections and overhauls are added to the carrying value of property, plant and equipment and the carrying amount of previous major inspections and overhauls is derecognized.

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

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

2.5 Intangible assets

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.5 Intangible assets (Continued)

Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the combined income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition, over the Combined Group owners' share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired business at the date of the acquisition. If the fair value of identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can only be determined provisionally, then the Combined Group initially accounts for goodwill using provisional values. Within twelve months of the acquisition date, the Combined Group then recognizes any adjustments to the provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the acquisition have been finally determined. Adjustments to provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries is included in "intangible assets, net". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Combined Group's cash generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Combined Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Programming and content rights

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.5 Intangible assets (Continued)

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

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

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other matters, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. Licenses were all renewed for 20 years in December 2012 and January 2013. The useful lives of licenses is twenty years.

Trademarks and customer bases

Trademarks and customer bases are recognized as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks and customer bases have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the trademarks and customer bases over their estimated useful lives.

The estimated useful lives for trademarks and customer bases are based on specific characteristics of the market in which they exist. Trademarks and customer bases are included in “Intangible assets, net”.

Estimated useful lives are:

Trademarks	1 to 15 years
Customer bases	4 to 9 years

Indefeasible Rights of Use

The main types of indefeasible rights of use (IRU) and capacity agreements are:

- Purchase of specified infrastructure;
- Purchase of lit fiber capacity;
- Exchange of network infrastructure or lit fiber capacity.

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

***Indefeasible Rights of Use* (Continued)**

A network capacity contract should be accounted for as a lease if, and when:

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

If all of these criteria are not met, the IRU is treated as a service contract and expensed as an operating expense.

If the arrangement is, or contains a lease, the lease is classified as either an operating lease or a finance lease. A finance lease of an IRU of network infrastructure is accounted for as a tangible asset. A finance lease of a capacity IRU is accounted for as an intangible asset.

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

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

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

2.6 Impairment of non-financial assets

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

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

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.7 Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash held with banks related to mobile financial services which is restricted in use due to local regulations is denoted as restricted cash.

2.8 Deposits

Time deposits

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

Pledged deposits

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

2.9 Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. From January 1, 2018, the Combined Group assesses, on a forward-looking basis, the expected credit losses. 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 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the trade receivables. The provision is recognized in the combined income statement within cost of sales.

2.10 Loans and receivables

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

2.11 Impairment of financial assets

The Combined Group recognizes an estimate for expected credit losses on financial assets recorded at amortized cost in profit or loss or on financial assets recorded at fair value through changes in other comprehensive income using the simplified approach. The simplified approach does not require an entity to track the changes in credit risk, but, instead, requires the entity to recognize a loss allowance based on lifetime expected credit losses (ECLs) at each reporting date. The Combined Group has established a provision matrix that is based on its historical loss experience, adjusted for forward looking factors specific for debtors and the economic environment.

The Combined Group considers that a financial asset is in default when the contractual payments are over 90 days overdue. However, in certain cases, the Combined Group may also consider that a financial asset is in default when internal or external information indicates that it is unlikely that the Company will receive the outstanding contractual amounts in full before taking into account any credit enhancements maintained by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Inventories

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.13 Equity contribution

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

2.14 Borrowings

Borrowings are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the combined income statement over the period of the borrowing.

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

2.15 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset.

Finance leases

Finance leases, which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Combined Group will obtain ownership by the end of the lease term.

Operating leases

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

2.16 Provisions

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

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.17 Trade payables

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

2.18 Revenue from contracts with customers

Revenue from contracts with customers is recognized when the control of the goods and services has been transferred to the customer for an amount that reflects the consideration to which the Combined Group expects to be entitled in exchange for such goods or services.

Bundled offers are considered arrangements with multiple deliverables or elements, which can lead to the identification of separate performance obligations. Revenue is recognized in accordance with 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 plus 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). For example, performance obligations relating to services provided by third-party content providers (i.e., mobile Value Added Services or "VAS") or service providers where the Combined Group neither controls a right to the provider's service nor controls the underlying service itself are presented net because the Combined Group is acting as an agent. The Combined Group generally acts as a principal for other types of services where the Combined Group is the primary obligor of the arrangement. In cases the Group determines that it acts as a principal, revenue is recognized in the gross

Company's most significant revenues streams are:

a) 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 recognized 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.

b) Post-paid mobile/cable subscription fees are recognized 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.

c) 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.

d) Telephone and equipment sales are recognized as revenue once control of such goods is transferred to the distributor or the final client. That criterion is fulfilled when the customer has the ability to direct the use and obtain substantially all of the remaining benefits from those goods.

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.18 Revenue from contracts with customers (Continued)

f) 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.

g) 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.

h) 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.

2.19 Cost of sales

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

2.20 Customer acquisition costs

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

2.21 Employee benefits

Share based compensation

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

The cost of share-based compensation is based on the fair value (market value) of the shares on grant date and, is recognized, together with a corresponding increase in equity contribution reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date). The cumulative expense recognized for share-based compensation at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Combined Group's best estimate of the number of equity instruments that will ultimately vest.

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.22 Taxation

Current tax

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

Deferred tax

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rate expected to apply in the year when the assets are realized or liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the combined income statement. Current and deferred tax assets and deferred tax liabilities are offset where legally enforceable set off rights exist and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.23 Changes in accounting policies

The following 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

As a consequence of adopting this Standard:

2.23 Changes in accounting policies (Continued)

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.

1) 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.

2) 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.

3) The presentation of certain amounts in the statement of financial position 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 capitalized 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 modified retrospective 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 summarized in the table set out at the bottom of this section.

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 combined 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 is equal 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

Revenue recognition accounting principles are further described in note 2.18.

2.23 Changes in accounting policies (Continued)

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 IAS 39 *Financial Instruments: Recognition and Measurement* 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 amortized 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. Similar to IFRS 15 adoption, the Combined Group adopted the standard using the modified retrospective transition method and therefore has 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. The impact on the opening balance of retained earnings as at January 1, 2018 is summarized 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 amortized cost did not have an impact for the Combined Group. Financial instruments accounting principles are further described in notes 2.6, 2.11 and 26.

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

Financial position US$ '000	As at January 1, 2018 before adoption	Effect of adoption of IFRS 15	Effect of adoption of IFRS 9	Total effect of adoptions	As at January 1, 2018 after adoption	Reference
ASSETS						
Contract costs, net (non-current)	—	2,501	—	2,501	2,501	*(i)*
Deferred tax assets (non-current)	11,989	—	241	241	12,230	*(v)*
Trade receivables, net	55,446	—	(4,367)	(4,367)	51,079	*(ii)*
Contract assets, net (current)	24,802	39,388	(1,298)	38,090	62,982	*(iii)*
LIABILITIES						
Contract liabilities (current)	37,182	181	—	181	37,363	*(iv)*
Deferred tax liabilities (non-current)	6,258	2,744	(77)	2,667	8,925	*(v)*
EQUITY						
Retained profits	376,035	38,962	(5,346)	33,616	409,651	*(vi)*

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.23 Changes in accounting policies (Continued)

(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 throughout 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 was no impact on the statement of cash flows.

The following summarizes the amount by which each financial statement line item is affected in the current reporting period by the application of IFRS 15 and IFRS 9 as compared to previous standard and interpretations:

INCOME STATEMENT US$ '000	For the twelve month period ended 31 December 2018				
	Amounts prepared under the previous IFRS	Effect of adoption of IFRS15	Effect of adoption of IFRS 9	Amounts prepared under current IFRS adoption	Reference
Revenue	1,364,555	4,212	—	1,368,767	*(i)*
Cost of sales	(257,413)	(32,441)	(4,977)	(294,831)	*(ii)*
Operating expenses	(416,931)	32,521	—	(384,410)	*(ii)*
Charge for tax, net...	(68,399)	(296)	—	(68,695)	*(iii)*

(i) Mainly for the change in the timing of revenue recognition due to the reallocation of revenue from postpaid service (over time) to telephone and equipment revenue (point in time).
(ii) Mainly for the reallocation of costs for selling devices due to change from postpaid service revenue to telephone and equipment revenue as well as the capitalization and amortization of contract costs. It also includes the 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. In operating expenses the main change is related to the relocation of subsidies expenses to cost of sales.
(iii) Tax effects of the above adjustments.

FINANCIAL POSITION US$ '000	As at 31 December 2018				
	Amounts prepared under the previous IFRS	Effect of adoption of IFRS15	Effect of adoption of IFRS 9	Amounts prepared under current IFRS adoption	Reference
ASSETS					
Contract costs, net (non-current)	—	2,451	—	2,451	*(v)*
Contract assets, net (current)	16,639	40,618	—	57,257	*(iv)*
Account receivable	69,737	—	(26,694)	43,043	*(vi)*
LIABILITIES					
Contract liabilities (current)	27,888	336	—	28,224	*(vii)*
Deferred tax liabilities (non-current)	6,186	2,605	—	8,791	*(viii)*
Current income tax liabilities	6,392	296	—	6,688	*(iii)*
EQUITY					
Retained earnings	409,786	41,809	(26,694)	424,901	*(ix)*

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.23 Changes in accounting policies (Continued)

(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 31 December 2018 no material impairment loss has been recognized.
(v) This mainly represents commissions capitalized and amortized over the average contract term.
(vi) 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.
(vii) 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.
(viii) Represents the tax payable to Superintendence of Tax Administration for transactions carried during the year ended 31 December 2018.
(ix) Cumulative catch-up effect and IFRS 15 effect in the current period.

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

IFRS 2 Classification and measurement of transactions of shares-based payment transactions – Amendments to IFRS 2
The IASB issued amendments to the IFRS 2 Share-based Payment, that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

IFRIC 22 Foreign currency transactions and advance consideration
This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

Annual improvements 2014–2016
These amendments impact three standards: IFRS 1 *First-time Adoption of IFRS*, regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10, effective 1 January 2018. IFRS 12 *Disclosure of Interests in Other Entities* regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28 *Investments in Associates and Joint Ventures* regarding measuring an associate or joint venture at fair value effective 1 January 2018. There are no other significant changes to standards effective for annual periods starting on January 1, 2018.

2.24 Standards issued but not effective yet

IFRS 16 *Leases*
The application of the standard will affect primarily the accounting of the Combined Group operating leases. At the reporting date, the Combined Group has non-cancellable operating lease commitments of $408,110, see note 23. These commitments will result in the recognition of a right of use asset and a lease liability for future payments. The application of this standard will affect the Combined Group EBITDA, net debt and leverage ratios. The change in presentation of operating lease expenses will result in a corresponding improvement in cash flows derived from operating activities and a decline in cash flows from financing activities. While the Combined Group is finalizing the implementation of the new Standard, as a preliminary result, it expects to recognize right of use assets and lease liabilities of approximately $263,314. Some of the commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.24 Standards issued but not effective yet (Continued)

According to the new Standard, the Combined Group shall determine the lease term including any lessee's extension or termination option that is deemed reasonably certain as well as lessors' extension or termination option. The assessment of such options shall be performed at the commencement of a lease. This requires judgment by the management of the Combined Group which may have a significant impact on the lease liability recognized under IFRS 16.

At transition date, the Combined Group will recognize lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at January 1, 2019. The right-of-use asset will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

Short-term leases with a term not exceeding the 12 months as well as leases where the underlying asset is of low value will not be capitalized. Instead, the Combined Group will use the practical expedient and associated lease payments will be recognized as an expense.

Furthermore, the Combined Group will take the additional following decisions to adopt the standard:

- Non-lease components will be capitalized (IFRS16.15)
- Intangible assets will be considered out of IFRS 16 scope (IFRS16.4)

The Combined Group will adopt the standard using the modified retrospective approach with the cumulative effect of applying the new standard recognized in retained earnings at 1 January 2019. Comparatives for the 2018 financial statements will not be restated.

Amendment to IFRS 9 *Financial Instruments*, on prepayment features with negative compensation

This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

The Combined Group expects this amendment to have an impact in the future on the financial statements in case of a modification of a financial liability measured at amortized cost. The amendment is effective for annual periods beginning on January 1, 2019.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 *Income taxes*, are applied where there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The Combined Group is currently assessing the impact of this interpretation

Amendments to IAS 19 *Employee Benefits* on plan amendment, curtailment or settlement

These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling. The Combined Group is currently assessing the impact of these amendments.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.24 Standards issued but not effective yet (Continued)

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

Amendments to IFRS 3 – definition of a business
This amendment revises the definition of a business. Combined Group does not expect these amendments to have a material impact on the financial statements. The amendment is effective for annual periods beginning on January 1, 2020.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Combined Group is currently assessing the impacts that the aforementioned amendments might on the financial statements.

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

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

Estimates
Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of inherent uncertainties in this evaluation process, actual results may be different from originally estimated amounts. These estimates are subject to change as new information becomes available and may significantly affect future operating results.

Significant estimates have been applied in respect of the following items:

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

For our critical accounting estimates reference is made to the relevant individual notes to these combined financial statements, more specifically note 7—Taxes, note 8—Intangible assets, note 9—Property, plant and equipment, note 11—Trade receivables, note 23—Commitments and contingencies.

4. ACQUISITIONS OF BUSINESS

During the twelve-month period ended 31 December 2018, the Combined Group made acquisitions of cable businesses for a total consideration of $32 million (Cable DX – Omega Project, Widefense – Chicabal Project, Orion and Antares Project) (2017: $1 million Atlas Project).

a) Omega project:
On 1 May 2018, the Company acquired 100% of the customer list, network infrastructure and operating assets of the entity Electronica DX, S.A. (Company registered in the Republic of Guatemala) its main activity is cable services. Electronica DX was acquired considering that it is located in a strategic region and that both its economy and its platform for convergence will serve to penetrate the brand of the Combined Group at country level and thereby increase the number of subscribers and the network infrastructure.

The fair value of intangible assets has been determined applying the income approach technique. The calculation was based on variables that are not observable in the market.

b) Chicabal project:
On 1 May 2018 the Company acquired the entity Widefense, S.A., which is a Guatemalan company that originated in 2005, and until the acquisition date the entity has presence mainly in Guatemala, El Salvador and Honduras. It is dedicated to the provision of services to a portfolio of large and medium-sized entities. Its main strategic assets are: a) distribution agreements for sales of equipment and security services, and b) software and technical equipment to monitor more than 250 thousand of network equipment.

Widefense is focused on using expansion strategies, diversifying its portfolio through the development of new business applications, in order to provide cloud-computing services. Also signed a strategic contract with Jasper, another of the strong acquisitions to consolidate the strategy. The purpose with this acquisition is to increase cross selling of cloud services, business applications, security services and administrative services to achieve customer loyalty, increase ARPU and reduce customer turnover. The Company has acquired 100% of the list of network customers and operating assets.

c) Orion project:
On 1 May 2018, the Company acquired the entity Señales Internacionales Exclusivas S.A- CVC Galaxy. It is a CATV and BBI operator that started operations in 1996 and serves mainly in the capital city of Huehuetenango, and has recently started to provide BBI services and is expanding into the new high definition CATV business unit.

The acquisition is aimed at expansion of the Combined Group derived from the construction of the network in Huehuetenango department; it will provide Tigo with the opportunity to increase its subscriber base, which will guarantee growth in CATV and BBI services. The acquisition consolidates operations in the western region of Guatemala, projecting a growth of $673 thousand to $1,587 thousand revenues and a market share of 12% to 52%, making it the largest operator of cable television in the region.

d) Antares project:
On 1 May, 2018, the Company acquired Señales Internacionales Grupo Protel, S.A., which started operations in 2008. Its main business is to provide CATV services in four municipalities of El Progreso, where Tigo is already a market leader.

The acquisition has the objective of expanding the commercial consolidation for the Company, for Tigo coverage. El Progreso department is an economically active part of the central region of the country and represents an opportunity to increase our base of critical subscribers and therefore guarantee a rapid growth of digital CATV and BBI services.

4. ACQUISITIONS OF BUSINESS (Continued)

The Combined Group has valued the acquisition at fair value at the date of acquisition for $32 million the assets acquired in the companies, the accounting of the initial combination of acquisitions has been completed as of 31 December 2018 are detail below:

US$ '000	Omega	Chicabal	Orion	Antares	Total
Fair value of assets	6,084	926	1,510	992	9,512
Goodwill acquired................	19,104	1,636	987	1,108	22,835
Total	**25,188**	**2,562**	**2,497**	**2,100**	**32,347**

The estimated fair value is based on:

- Discount rate of 9.8%.
- A terminal value, calculated based on long-term sustainable growth rates of 2%, which has been using to determine revenues in the coming years.
- An operating margin of 23.8%, a client loss rate of 11% and an average rate of charges for contributory assets of 4.8%.

5. BREAKDOWN OF OPERATING PROFIT

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

US$ '000	2018	2017
Airtime	1,019,157	1,029,873
Telephone and equipment	172,836	145,340
Home subscriptions	102,268	82,540
Data links..	45,321	44,927
Other revenue..	29,185	18,696
Revenue from contract with customers...................................	**1,368,767**	**1,321,376**
Cost of rendering telecommunication services..............................	(294,831)	(242,854)
Gross profit..	**1,073,936**	**1,078,522**
Depreciation and amortization (see notes 8 and 9)........................	(197,073)	(205,995)
Dealer commissions...	(85,615)	(87,638)
Employee related costs (see note 6)	(62,060)	(62,300)
Sites and network maintenance	(57,596)	(63,641)
Operating lease expense (see note 23)..	(45,880)	(44,661)
External services	(34,226)	(31,954)
Phone subsidies	(32,752)	(61,787)
Other expenses	(29,041)	(30,046)
Advertising and promotion	(25,543)	(26,164)
Other fees and costs..	(12,516)	(11,362)
Loss on disposal and impairment of assets, net	(7,943)	(19,639)
Operating profit	**483,691**	**437,365**

6. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

US$ '000	2018	2017
Wages and salaries	(63,054)	(62,707)
Social security	(3,690)	(3,697)
Other employee related costs	(3,234)	(3,527)
Share based compensation (see note 14)	(1,309)	(1,547)
Capitalized employee related costs..	9,227	9,178
Total (see note 5)	**(62,060)**	**(62,300)**

6. EMPLOYEE RELATED COSTS (Continued)

The average number of permanent employees during the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Total average number of permanent employees	**2,830**	**2,784**

7. TAXES

Guatemalan companies are subject to all taxes applicable to Guatemalan limited liability companies. The effective tax rate in 2018 is 17% (2017: 19%). The reconciliation between the average statutory tax rate and the effective average tax rate is as follows:

US$ '000	2018 %	2017 %
Statutory tax rate (based on income)	25	25
Permanent differences..	(8)	(6)
Effective tax rate..	**17**	**19**

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

US$ '000	2018	2017
Income tax charge	(73,536)	(75,262)
Net deferred income tax benefit (expense)	4,841	1,207
Charge for taxes	**(68,695)**	**(74,055)**

The tax effects of significant items excluding the exchange movements and comprising the Combined Group's net deferred income tax asset and liability as at 31 December 2018 and 2017 are as follows:

	Combined Statement of Financial Position		Combined Income Statement	
US$ '000	2018	2017	2018	2017
Temporary differences between book and tax basis of intangible assets and property, plant and equipment...........	7,933	5,731	4,841	1,207
Deferred tax benefit			**4,841**	**1,207**
Deferred tax assets, net	**7,933**	**5,731**		
Reflected in the statements of financial position as:				
Deferred tax assets	16,724	11,989		
Deferred tax liabilities	(8,791)	(6,258)		

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

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

7. TAXES (Continued)

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

US$ '000	2018	2017
Income tax assets	6,616	6,624
Total	**6,616**	**6,624**

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

US$ '000	2018	2017
Income tax liabilities	6,688	8,120
Total	**6,688**	**8,120**

8. INTANGIBLE ASSETS

Movements in intangible assets in 2018 were as follows:

US$ '000	Goodwill	Licenses	Customer lists	Other (i)	Total
Opening balance, net................	**60,422**	**22,964**	**28,022**	**39,427**	**150,835**
Acquisition of business (see note 4)	22,835	—	7,064	—	29,899
Additions..................................	—	—	—	22,058	22,058
Amortization charge....................	—	(1,536)	(5,099)	(13,171)	(19,806)
Transfers (to)/from PP&E............	—	—	—	2	2
Disposals..................................	—	—	—	(942)	(942)
Exchange rate movements	(4,258)	(1,118)	(806)	(513)	(6,695)
Closing balance, net	**78,999**	**20,310**	**29,181**	**46,861**	**175,351**
As at 31 December 2018					
Cost..	78,999	58,874	50,073	86,305	274,251
Accumulated amortization............	—	(38,564)	(20,892)	(39,444)	(98,900)
Net	**78,999**	**20,310**	**29,181**	**46,861**	**175,351**

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

Movements in intangible assets in 2017 were as follows:

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

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

8. INTANGIBLE ASSETS (Continued)

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

US$ '000	2018	2017
Additions	22,058	28,324
Change in capex accruals and payables	(14,518)	1,917
Cash used for the purchase of intangible assets	**7,540**	**30,241**

Impairment test of goodwill

As at 31 December 2018 and 2017, management tested goodwill for impairment. The Combined Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill is allocated.

The recoverable amount of a cash-generating unit ("CGU") or group of CGUs is determined based on discounted cash flows. The cash flow projections used (adjusted operating profit margins, income tax, working capital, capital expenditure and license renewal cost) are extracted from financial budgets approved by management and the Board of MIC and Miffin Group in Guatemala covering a period of five years. The planning horizon reflects industry practice in the country where the Combined Group operates. Cash flows beyond this period are extrapolated using a perpetual growth rate of 3.2% (2017: 3.1%). The Combined Group has determined that the decision-making process as well as the level of detail of available information require that the Combined Group is the only CGU.

The recoverable amount has been determined for the cash generating unit based on discount rate of 10.6% for the year ended 31 December 2018 (2017: 9.5%). Based on the results of the impairment test performed, management concluded that no impairment losses should be recorded on goodwill for the years ended 31 December 2018 and 2017.

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

9. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible assets in 2018 were as follows:

US$ '000	Network Equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**556,798**	**11,318**	**40,049**	**38,671**	**646,836**
Acquisition of business (see note 4)	2,037	—	—	411	2,448
Additions	83,395	979	45,434	10,366	140,174
Net disposals	(6,416)	(52)	(38)	(896)	(7,402)
Depreciation charge	(161,628)	(2,442)	—	(13,197)	(177,267)
Asset retirement obligations	(431)	—	—	—	(431)
Transfers (to)/from intangible assets	35,834	(225)	(35,362)	(249)	(2)
Exchange rate movements	(26,582)	(513)	(1,742)	(1,730)	(30,567)
Closing balance 31 December 2018	**483,007**	**9,065**	**48,341**	**33,376**	**573,789**
Cost	1,538,146	32,255	48,341	118,191	1,736,933
Accumulated depreciation	(1,055,139)	(23,190)	—	(84,815)	(1,163,144)
Net	**483,007**	**9,065**	**48,341**	**33,376**	**573,789**

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

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in tangible assets in 2017 were as follows:

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

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

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

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

US$ '000	2018	2017
Additions	140,174	143,495
Change in suppliers' advances	(5,753)	(18,985)
Change in capex accruals and payables	(10,865)	20,740
Cash used for the purchase of property, plant and equipment	**123,556**	**145,250**

Borrowing costs capitalized during the years ended 31 December 2018 and 2017 were not significant.

10. INVENTORIES

Inventories (net of impairment for obsolescence amounting to $4.7 million as at 31 December 2018 and $2.2 million as at 31 December 2017) as at 31 December of each year comprise:

US$ '000	2018	2017
Telephones and equipment	22,076	26,753
Sim cards	73	390
Other	3,055	2,561
Total	**25,204**	**29,704**

11. TRADE RECEIVABLES, NET

US$ '000	2018	2017
Gross trade receivables	69,737	119,606
Less: provisions for credit losses expected	(26,694)	(64,160)
Trade receivables, net	**43,043**	**55,446**
Contract assets, net	57,257	24,802
Total	**100,300**	**80,248**

Contract assets

The balance of contract assets is presented below:

US$ '000	2018	2017
Accrued income	16,639	24,802
Contract assets (a)	40,618	—
Contract assets, net	**57,257**	**24,802**

(a) As 31 December 2018 the Combined Group has contract assets for Q140,618, which mainly represent subsidized handsets as more revenue is recognized upfront while the cash will be received throughout the subscription period.

The nominal value less provisions for credit losses expected of trade receivables approximates their fair values (see note 26). As at 31 December 2018, and 2017, the aging analysis of trade receivables is as follows:

	Contractual assets	Current	Past due (net of credit losses expected)			Total
US$ '000			<30 days	30–90 days	>90 days	
2018						
Accounts receivable	41,765	36,759	6,778	5,155	21,043	69,735
Expected credit losses	(1,147)	(1,171)	(1,906)	(2,605)	(21,010)	(26,692)
Total	**40,618**	**35,588**	**4,872**	**2,550**	**33**	**43,043**
Expected credit losses (weighted average rate)	**3%**	**8%**	**29%**	**65%**	**100%**	

An analysis of the ageing of the non-impaired accounts receivable is as follows as of 31 December 2017

	Contractual assets	Current	Past due (net of credit losses expected)			Total
US$ '000			<30 days	30–90 days	>90 days	
2017	—	43,459	6,386	5,085	516	**55,446**

12. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents comprised:

US$ '000	2018	2017
Cash and cash equivalents in U.S. dollars	135,548	223,276
Cash and cash equivalents in GTQ	78,536	72,341
Total cash and cash equivalents	**214,084**	**295,617**

12. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

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

Restricted cash comprised:

US$ '000	2018	2017
Restricted cash in GTQ	5,768	5,254
Total restricted cash	**5,768**	**5,254**

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

13. EQUITY CONTRIBUTION

As at years ended 31 December 2018 and 2017 the issued share capital of the combined entities consists of:

Company names	2018		2017	
	Shares	Par value (GTQ)	Shares	Par value (GTQ)
Comunicaciones Celulares, S.A.	500	50,000	500	50,000
Comunicaciones Corporativas, S.A.	20	500	20	500
Servicios Especializados en Telecomunicaciones, S.A.	100	100	100	100
Distribuidora de Comunicaciones de Occidente, S.A.	20	500	20	500
Distribuidora Central de Comunicaciones, S.A.	20	500	20	500
Distribuidora de Comunicaciones de Oriente, S.A.	20,020	500	20,020	500
Distribuidora Internacional de Comunicaciones, S.A.	20	500	20	500
Servicios Innovadores de Comunicación y Entretenimiento, S.A.	20	500	20	500
Navega.com, S.A.	200,017	100	200,017	100

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

14. SHARE BASED COMPENSATION

(a) Long-Term Incentive Plans

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

Deferred share plan (unchanged since 2014)
For the deferred share plan, participants are granted shares based on past performance, with 16.5% of the shares vesting on 1 January of each of year 1 and 2, and the remaining 67% on 1 January of year 3. Vesting is conditional upon the participant remaining employed with Comcel or any Tigo Guatemala Companies at each vesting date.

14. SHARE BASED COMPENSATION (Continued)

(a) Long-Term Incentive Plans (Continued)

Performance share plan (issued in 2015)
Under the performance share plan, shares granted vest at the end of a three-year period, subject to performance conditions, 62.5% based on Absolute Total Shareholder Return (“TSR”) and 37.5% based on actual vs budgeted EBITDA – CAPEX- Change in Working Capital (“Free Cash Flow”). As the TSR measure is a market condition, the fair value of the shares in the performance share plan requires adjustment for future market based conditions. For this, a specific valuation has been performed at grant date based on the probability of the TSR conditions being met (and to which extent) and the expected pay-out based upon leaving conditions.

The free cash flows (“FCF”) condition is a non-market measure which has been considered together with the leaving estimate and based initially on a 100% fulfilment expectation. The reference share price for 2015 Performance Share Plan is the same share price as the share price as the Deferred Share Plan.

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.

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

A summary of the shares vested under the relevant plans as of 31 December 2018 and 2017 is as follows:

US$ ‘000	Shares vested as of December 2018	Shares vested as of December 2017
Plans		
2014 Deferred Plan	—	9,566
2014 Performance Plan	—	1,130
2015 Deferred Plan	19,065	7,198
2015 Performance Plan	713	—
2016 Deferred Plan	8,412	4,758
2017 Deferred Plan	4,525	—
Total	**32,715**	**22,652**

14. SHARE BASED COMPENSATION (Continued)

(b) Total share-based compensation expense

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

US$ '000	Performance shares 2018	Deferred share awards 2018	Performance shares 2017	Deferred share awards 2017	Performance shares 2016	Deferred share awards 2016
Shares granted..........	2,129	19,977	4,141	27,414	2,958	25,487
Revision for actual and expected forfeitures.................	(2129)	—	—	(4,525)	—	(8,412)
Share awards expected to vest	**—**	**19,977**	**4,141**	**22,889**	**2,958**	**17,075**

Total share-based compensation expense for the years ended 31 December 2018 and 2017 was as follows:

US$ '000	2018	2017
2015 LTIPs...	—	319
2016 LTIPs...	225	522
2017 LTIPs...	401	706
2018 LTIPs...	683	—
Total	**1,309**	**1,547**

15. OTHER DEBT AND FINANCING

Borrowings due after more than one year:

US$ '000	2018	2017
Bank financing	137,910	208,880
Bond financing	788,958	786,718
Total other debt and financing due after more than one year.	**926,868**	**995,598**

No borrowing due within one year.

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

US$ '000	2018	2017
After five years	926,868	995,598
Total debt..	**926,868**	**995,598**

Significant individual financing facilities are described below:

Comunicaciones Celulares, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2018	Amount outstanding US$'000 2017
Banco Industrial, S.A.	2025	GTQ	(fixed) 7.20%	22,531	23,733
Senior Notes	2024	USD	(fixed) 6.875%	788,958	786,718

15. OTHER DEBT AND FINANCING (Continued)

Servicios Especializados en Telecomunicaciones, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2018	Amount outstanding US$'000 2017
Banco Industrial, S.A.	2025	GTQ	(fixed) 7.20%	54,995	57,932

Servicios Innovadores de Comunicación y Entretenimiento, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2018	Amount outstanding US$'000 2017
Banco G&T Continental, S.A.	2025	GTQ	(fixed) 7.125%	60,384	127,215

Total	926,868	995,598

The loans above-listed are all unsecured.

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comunicaciones Celulares, S.A. for the purposes of the transaction, issued a bond (proceeds of $779 million after deduction of the various costs paid up front and relating to this issuance) to refinance existing local and MIC S.A. corporate debt. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. The bond is guaranteed by Comunicaciones Celulares, S.A. and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comunicaciones Celulares, S.A. entered into an $800 million senior unsecured loan ("the Loan") with Credit Suisse AG, Cayman Islands Branch. The proceeds of the bond were used by Intertrust SPV to purchase a 100% participation interest in the Loan pursuant to a credit and guarantee.

The Loan agreements between Intertrust, Credit Suisse and Comunicaciones Celulares, S.A. remove any risk to Credit Suisse connected to the loan, and as such the Combined Group have derecognized both its asset and liability towards Credit Suisse from the date of the agreement.

During 2015, additionally, Tigo Guatemala Companies obtained loans from Guatemalan local banks as disclosed below increasing the interest expense in 2018 ($73 million) and 2017 ($73 million).

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

In November and December 2018, the Combined Group redeemed GTQ 467 million ($60 million), of the principal amount of the debt with Banco G&T.

15. OTHER DEBT AND FINANCING (Continued)

Fair value of financial liabilities

Borrowings are recorded at amortized cost. The fair value of borrowings as at 31 December 2018 and 2017 is as follows:

US$ '000	2018	2017
Other debt and financing	669,838	731,896

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

Guarantees

As at 31 December 2018 and 2017, there were no guarantees in place.

Pledged assets

As at 31 December 2018 and 2017, there were no pledged assets.

16. PAYABLES AND ACCRUALS FOR CAPITAL EXPENDITURE

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

US$ '000	2018	2017
Accrued expenses – Intangible assets	27,136	17,385
Payables – Tangible assets	12,594	8,637
Accrued expenses – Tangible assets	10,502	4,088
Payables – Intangible assets	7,821	3,017
Total	**58,053**	**33,127**

17. TRADE PAYABLES

Trade payables at 31 December of each year comprise:

US$ '000	2018	2017
Fixed operators	4,537	15,577
Mobile operators	2,697	—
Roaming partners	69	—
Others	14,822	22,877
Total	**22,125**	**38,454**

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

18. ACCRUED INTEREST AND ACCRUED EXPENSES

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

US$ '000	2018	2017
Accrued expenses	44,068	49,213
Accrued interest	22,160	22,153
Total	**66,228**	**71,366**

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

19. CONTRACT LIABILITIES

Contract liabilities at 31 December of each year comprise:

US$ '000	2018	2017
Deferred revenue	27,888	37,182
Contract liabilities	336	—
Total	**28,224**	**37,182**

20. NON-CURRENT AND CURRENT PROVISIONS AND OTHER LIABILITIES

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

US$ '000	2018	2017
Long-term portion of asset retirement obligations	41,225	44,302
Provisions (non-current)	621	—
Non-current litigation provisions (see note 23)	1,285	1,726
Total	**43,131**	**46,028**

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

US$ '000	2018	2017
Customer and distributor restricted cash balances	3,462	5,217
Current provisions	1,533	1,631
Customer deposits	218	406
Other	8,224	4,184
Total	**13,437**	**11,438**

21. DIVIDENDS

The ability of the Combined Group to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds. In 2018, the entities of the Combined Group declared dividends of US$322 million (2017: US$306 million) which are usually paid over two fiscal years: through shareholders' loans the year the Combined Group makes the profit and through dividends paid for the remaining amount the following year after the final dividend has been approved.

21. DIVIDENDS (Continued)

US$ '000	2018	2017
Dividends offset with accounts receivable from related parties	260,598	261,362
Payment of dividends	48,440	22,877
Income tax withheld on dividends paid	15,486	15,303
Exchange differential	(2,827)	6,118
Declared dividends.....	**321,697**	**305,660**

22. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

US$ '000	2018	2017
Investing activities		
Change in asset retirement obligations (see note 9)	(431)	(4,263)
Financing activities		
Dividends offset with accounts receivable from related parties (see note 21).....	260,598	261,362

23. COMMITMENTS AND CONTINGENCIES

Operational environment

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

Litigation and legal risks

The Tigo Guatemala Companies are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As at 31 December 2018 and 2017, respectively $1.2 million and $1.7 thousand have been provisioned for these claims in the combined statement of financial position. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Combined Group's financial position and operations.

On 21 October 2015, Millicom 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 14 July 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.

23. COMMITMENTS AND CONTINGENCIES (Continued)

On 23 November 2017, the CICIG, together with the Public Prosecutor of Guatemala, executed a search warrant at Tigo’s headquarters, located on KM 9.5 road to El Salvador Plaza Tigo, in connection with the investigations mentioned in the preceding paragraph. The authorities requested the disbursements made by the Tigo Guatemala Companies during the periods beginning in 2012 through 2017. Tigo Guatemala has complied with the requirement and, as of the date of issuance of these financial statements, no further request or notifications have been received from the afore mentioned authorities. These procedures are in an early stage of the investigation and the authorities could require further information from management. The case has been declared under reserve by the authorities, so management can only be aware of any updates until new requirement or communications, if any, are made by the authorities. Management has not been able to assess the potential impact on these 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 31 December, 2018 and 2017.

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.

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.

In 12 April 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 the 2007 and 2010 tax years. Navega have replied on the hearings, waiting for a final resolution from the Constitutional Court. Management estimates that in the case Navega loses the appeal, the additional tax assessment plus interest and penalties, could be of approximately $2 million, however, the Combined Group have argument to keep their position in the last instance.

Lease commitments

Finance Leases

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

Operating Leases

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

US$ ‘000	2018	2017
Operating lease commitments		
Within: one year	44,028	44,499
Between: one to five years	185,698	109,943
After: five years	178,384	25,309
Total	**408,110**	**179,751**

Operating leases comprise mainly lease agreements relating to land and buildings. The operating lease terms and conditions reflect normal market conditions. Total operating lease expense was $46 million in 2018 (2017: $45 million - see note 5).

23. COMMITMENTS AND CONTINGENCIES (Continued)

Capital commitments

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

Millicom Group subsidiaries

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

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

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

The receivable balance with MIC 2NV at 31 December 2018 represents shareholder loans that are due in 2019 and 2020.

Miffin Associates Corp

The receivable balance with Miffin at 31 December 2018 represents shareholder loans that 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 31 December 2018 and 2017, Kinnevik owned approximately 38% of MIC. During 2018 and 2017 the Combined Group purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Amount due from related parties (non-current portion)

US$ '000	2018	2017
Millicom International II NV..	134,750	123,750
Miffin Associates Corp	110,250	101,250
Others..	10	10
Total...	**245,010**	**225,010**

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

US$ '000	2018	2017
Millicom International II NV..	179,864	148,626
Miffin Associates Corp	147,424	122,240
Telemóvil El Salvador, S.A. de C.V……………………..…………….	324	4,969
MIC S.A.…………………………………………………………………..	223	349
Metrored Cable Honduras, S.A. de C.V.	107	1,055
Newcom Nicaragua, S.A.	42	738
Others..	1,285	1,197
Total...	**329,269**	**279,174**

24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Amount due to related parties (current portion)

US$ '000	2018	2017
Miffin Associates Corp	7,665	9,365
MIC S.A.	2,575	2,989
Millicom Spain S.L.	1,235	561
Millicom Cable Costa Rica, S.A.	1,183	1,686
Metrored Cable Honduras, S.A. de C.V.	119	1,990
Others	984	2,449
Total	**13,761**	**19,040**

The following significant transactions were conducted with related parties:

US$ '000	2018	2017
Revenue (i)	305,672	287,194
Cost of sales and operating expenses (ii)	(192,075)	(200,692)

(i) Mainly comprising airtime revenue, corporate transmissions and other revenue with Nexcel, S.A. and MIC operations in El Salvador.
(ii) Mainly composed by handset acquisition, network maintenance, site rental costs, transmission costs, airtime costs and other direct costs with Celution Corporation, Lark Capital Group, Las Azaleas SA, with MIC operations in Costa Rica and with Millicom Spain.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms agreed by the parties. Outstanding balances at the year-end are unsecured (except for intercompany receivables amounting to $572,288 (2017: $495,866), intercompany receivables and payables do not generate interest) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018 and 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

25. FINANCIAL RISK MANAGEMENT

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

Interest rate risk
Interest rate risk generally arises on borrowings. Borrowings issued at floating rates expose the Combined Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Combined Group to fair value interest rate risk. Since the bond and bank loans issuance (see note 15), the Combined Group's exposure to risk of changes in market interest rates relates to fair value interest rate risk only.

25. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes, as at 31 December 2018, the Combined Group's fixed rate debt and floating rate debt:

US$ '000, except percentages	Amounts due within						
	1 year	1-2 year	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate...................	—	—	—	—	—	926,868	926,868
Weighted average nominal interest rate....	—	—	—	—	—	6.918%	6.918%
Floating rate................	—	—	—	—	—	—	—
Weighted average nominal interest rate....	—	—	—	—	—	—	—
Total..........................	—	—	—	—	—	926,868	926,868
Weighted average nominal interest rate....	—	—	—	—	—	6.918%	6.918%

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

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

Foreign currency risk

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

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

At 31 December 2018, if the $ had weakened/strengthened by 10% against the Quetzal and all other variables held constant, then profit before tax would have increased/decreased by $45 million, and $37 million, respectively (2017: $44 million and $36 million, respectively). This increase/decrease in profit before tax would have mainly been as a result of the revaluation of the debts from US dollar to Quetzal.

25. FINANCIAL RISK MANAGEMENT (Continued)

Credit and counterparty risk

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

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

A large portion of turnover comprises prepaid airtime. For customers for whom telecom services are not prepaid, each combined entity follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Accounts receivable are mainly derived from balances due from other telecom operators or business-to-business customers. Credit risk of other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. Credit checks are being performed for business-to-business customers. The Combined Group maintains a provision for impairment of trade receivables based upon expected collectability of all trade receivables.

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

Liquidity risk

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

The Combined Group borrowings are concentrated to one bond issuance and two bank loans (note 15). Combined Group management believes that there is sufficient liquidity available to meet ongoing liquidity needs.

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

Year ended 31 December 2018

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 15)	—	—	(926,868)	(926,868)
Future interest commitments	(69,225)	(259,537)	(102,268)	(431,030)
Trade payables (excluding accruals)	(42,540)	—	—	(42,540)
Other financial liabilities (including accruals)	(117,627)	—	—	(117,627)
Net financial liability	**(229,392)**	**(259,537)**	**(1,029,136)**	**(1,518,065)**

25. FINANCIAL RISK MANAGEMENT (Continued)

Year ended 31 December 2017

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 15)	—	—	(995,598)	(995,598)
Future interest commitments	(69,944)	(279,776)	(112,388)	(462,108)
Trade payables (excluding accruals)	(50,108)	—	—	(50,108)
Other financial liabilities (including accruals)	(111,879)	—	—	(111,879)
Net financial asset (liability)	**(231,931)**	**(279,776)**	**(1,107,986)**	**(1,619,693)**

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

26. FINANCIAL INSTRUMENTS

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

Fair value measurement hierarchy
IFRS 7 requires for financial instruments that are measured in the statement of financial position at fair value, the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2—Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3—Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

At 31 December 2018 and 2017, the Combined Group does not own any financial instruments that are measured at fair value.

The fair value of all financial assets and all financial liabilities except debt and financing, approximate their carrying value largely due to the short-term maturities of these instruments. Refer to note 15 for further details on fair value of debt and financing. The fair value of the bonds has been determined based on their market price (level 1). The fair values of other debt and financing have been estimated by the Combined Group management based on discounted future cash flows at market interest rates (level 2).

27. SUBSEQUENT EVENT

The Combined Group's has no knowledge of any subsequent events since 31 December 2018 and up to the date of approval of these combined financial statements that might have an impact or might require additional disclosures to them.

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