Tigo Guatemala Companies
Combined Financial Statements
For the years ended December 31, 2021 and 2020

February 28, 2022

INDEX TO COMBINED FINANCIAL STATEMENTS

Audited Combined Financial Statements of Tigo Guatemala Companies for the years ended December 31, 2021 and 2020.

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Building a better
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Independent Auditor´s report

To the Board of Directors and Shareholders of
Tigo Guatemala Companies

Opinion

We have audited the combined financial statements of Tigo Guatemala Companies (hereinafter “the Group” or “Tigo Guatemala”), which comprise the combined statements of financial position as of December 31, 2021, the combined income statements and statements of comprehensive income, statements of changes in equity and statements 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 the Group as of December 31, 2021, and the income statements, the statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards (“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 audits of the combined financial statements* section of our report. We are independent of Tigo Guatemala in accordance with the *International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the combined financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Tigo Guatemala’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´s financial reporting process.

Auditor’s responsibilities for the audits 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 in the aggregate, 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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

ERNST & YOUNG S.A.
Ernst & Young, S.A.
February 28, 2022

A-025-2022

Combined Income Statements for the years ended December 31, 2021 and 2020

US$ '000	Notes	2021	2020
Revenue from contracts with customers……..……………	5	**1,600,579**	**1,502,514**
Cost of sales……………………………………..……......……		(362,518)	(359,889)
Gross profit……………………………………………...…..…	5	**1,238,061**	**1,142,625**
Operating expenses……………………………. ………..……		(380,835)	(364,749)
Depreciation & amortization……………………………………		(238,216)	(237,064)
Other operating income (expenses), net……….………. …..…		(2,003)	(3,566)
Operating profit…………………………………...…....……	5	**617,007**	**537,246**
Interest expense (i)….…………………………………...…….	17	(51,912)	(114,296)
Interest and other financial income.……………...………....…		8,422	18,951
Foreign exchange gain (loss), net……..………………......………		(1,282)	(8,199)
Profit before taxes……..…………………………...……..…		**572,235**	**433,702**
Charge for taxes, net…………………………….……..………	7	(112,237)	(83,231)
Net profit for the period….………………….……..…………		**459,998**	**350,471**

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

Combined Statements of Comprehensive Income for the years ended December 31, 2021 and 2020

US$ '000	2021	2020
Net profit for the period…………………………………………………..	459,998	350,471
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………………………………………………………………	7,286	(4,540)
Total comprehensive income for the period…….…………………….	**467,284**	**345,931**

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

Combined Statements of Financial Position at December 31, 2021 and 2020

US$ '000	Notes	2021	2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	8	291,927	279,443
Property, plant and equipment, net	9	550,607	533,175
Right of use assets, net	10	186,265	214,785
Contract costs, net		2,354	2,146
Deferred tax assets	7	5,526	25,275
Amounts due from related parties	27	10	50,010
Income tax assets	7	5,498	4,134
Supplier advances for capital expenditure		11,577	7,327
Other non-current assets		2,313	2,793
TOTAL NON-CURRENT ASSETS		**1,056,077**	**1,119,088**
CURRENT ASSETS			
Inventories	11	30,396	25,767
Trade receivables, net	12	52,029	51,748
Contract assets, net	12	54,815	58,333
Amounts due from related parties	27	351,239	367,447
Prepayments		4,837	3,803
Other current assets	13	62,116	23,812
Restricted cash	14	7,108	7,105
Cash and cash equivalents	14	152,958	188,542
TOTAL CURRENT ASSETS		**715,498**	**726,557**
TOTAL ASSETS		**1,771,575**	**1,845,645**

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

Combined Statements of Financial Position at December 31, 2021 and 2020 (Continued)

US$ '000	Notes	2021	2020
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	15	8,219	8,219
Equity contribution reserve		13,147	13,070
Other reserves		93,563	86,277
Retained earnings		565,687	471,791
TOTAL EQUITY		**680,616**	**579,357**
LIABILITIES			
Non-current liabilities			
Other debt and financing	17	605,250	413,404
Lease liabilities	18	174,478	205,255
Provisions and other non-current liabilities	23	56,752	51,018
Deferred tax liabilities	7	10,781	11,002
Total non-current liabilities		**847,261**	**680,679**
Current liabilities			
Lease liabilities	18	28,589	24,035
Amounts due to related parties	27	9,245	367,095
Payables and accruals for capital expenditure	19	33,484	32,464
Trade payables	20	35,393	25,660
Accrued interest and other expenses	21	56,426	53,608
Current income tax liabilities	7	15,894	14,914
Contract liabilities	22	38,015	35,959
Provisions and other current liabilities	23	26,652	31,874
Total current liabilities		**243,698**	**585,609**
TOTAL LIABILITIES		**1,090,959**	**1,266,288**
TOTAL EQUITY AND LIABILITIES		**1,771,575**	**1,845,645**

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

Combined Statements of Cash Flows for the year ended December 31, 2021 and 2020

US$ '000	Notes	2021	2020
Cash flows from operating activities			
Profit before taxes		**572,235**	**433,702**
Adjustments to reconcile to net cash:			
Interest expense ……………………………………………………..		51,912	114,296
Interest and other financial income………………………………		(8,422)	(18,951)
Foreign exchange loss ………………….………………………		1,282	8,199
Adjustments for non-cash items:			
Depreciation and amortization ………………………..........	8,9,10	238,216	237,064
Loss on disposal and impairment of assets ……..…………..	5	2,401	3,146
Share-based compensation ………………………..………...	16	77	289
Decrease/(increase) in trade receivables, prepayments, contract assets and other current assets………………….....		8,073	(8,980)
(Increase)/decrease in inventories…………..………………..		(4,424)	6,896
(Decrease)/increase in trade payables, contract liabilities, and other payables……………………………..………......		(615)	2,226
Changes in working capital		**3,034**	**142**
Interest paid on debt and other financing……………………..		(36,712)	(86,455)
Interest paid on leases…………..………………………………….		(18,048)	(20,259)
Interest received ……………………………………………...		20,036	17,337
Taxes paid ……………………….…………………………		(94,441)	(81,675)
Net cash provided by operating activities		**731,570**	**606,835**
Cash flows from investing activities:			
Acquisitions of business…......................... …………..…….	4	(3,264)	(2,297)
Purchase of property, plant and equipment ………...……..	9	(178,195)	(179,323)
Purchase of intangible assets………………………………..	8	(44,301)	(105,003)
Proceeds from sale of property, plant and equipment……….		341	326
Proceeds from sale of intangible assets..………………..…….		-	11
Net increase/(decrease) in restricted cash ……..……….....		3	(1,099)
Net cash used by investing activities		**(225,416)**	**(287,385)**
Cash flows from financing activities			
Proceeds from debt and other financing…..............………		187,706	631,592
Repayment of debt and other financing (i)..…………………..		(350,000)	(798,632)
Repayment of leases (capital component) ....………………..		(28,236)	(25,867)
Income tax withheld on dividends paid……………..………...	24	(18,276)	(18,061)
Loans granted to shareholders…………...………..............	27	(307,618)	(80,000)
Payment of dividends...…..………	24	(25,124)	(21,718)
Net cash used by financing activities		**(541,548)**	**(312,686)**
Exchange losses on cash and cash equivalents, net……….		(190)	(7,352)
Net decrease in cash and cash equivalents		**(35,584)**	**(588)**
Cash and cash equivalents at the beginning of the year…….		188,542	189,130
Cash and cash equivalents at the end of the year		**152,958**	**188,542**

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

Combined Statements of Changes in Equity for the years ended December 31, 2021 and 2020

US$ '000	Share capital (000's)	Equity Contribution Reserve (i) (000's)	Other reserves (ii) (000's)	Retained earnings (000's)	Total equity (000's)
At January 1, 2020	**8,219**	**12,781**	**90,817**	**483,817**	**595,634**
Profit for the period…………………………..	—	—	—	350,471	350,471
Currency translation differences………….…	—	—	(4,540)	—	(4,540)
Total comprehensive income for the period	—	—	(4,540)	350,471	345,931
Dividends ..…………………………………..	—	—	—	(362,497)	(362,497)
Share based compensation………………..	—	289	—	—	289
At December 31, 2020	**8,219**	**13,070**	**86,277**	**471,791**	**579,357**
Profit for the period…………………………..	—	—	—	459,998	459,998
Currency translation differences………….…	—	—	7,286	—	7,286
Total comprehensive income for the period	—	—	7,286	459,998	467,284
Dividends (iii)…………………………………	—	—	—	(366,102)	(366,102)
Share based compensation………………...	—	77	—	—	77
At December 31, 2021	**8,219**	**13,147**	**93,563**	**565,687**	**680,616**

(i) Equity contribution reserve is made up only of share-based compensation – see note 16.
(ii) Other reserves include legal reserves of $86.3 million and currency translation differences for $7.3 million in 2021 (2020: ($4.5) million). Legal reserves are not distributable.
(iii) Dividends – see note 24.

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

Notes to the Combined Financial Statements for the years ended December 31, 2021 and 2020

1. ORGANIZATION

The combined financial statements are composed of ten companies (the "Combined Group", "Tigo Guatemala") 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
Cloud2Nube, S.A.…………………………………………………….	Guatemala

In January 2014, the Comcel Trust, also comprised by the same entities of Tigo Guatemala, issued a bond of $800 million which was guaranteed by Comunicaciones Celulares, S.A. and was listed on the Luxembourg Stock Exchange. In accordance with International Financial Reporting Standards, the Comcel Trust was consolidated within the combined Tigo Guatemala. 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.

On November 18, 2020, Comcel Trust board of directors decided to redeem the $800 million aggregate principal amount of its outstanding 6.875% Senior Notes due 2024. The redemption officially announced on October 1, 2020 at a redemption price equal to 102.292% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest of $16 million, resulting in an aggregate amount of $834 million settled on November 18, 2020. As a result of the redemption, the Comcel Trust was terminated on November 18, 2020 and thereupon removed from the Trust register.

The early repayment of the Senior Notes described beforehand was financed by a mix of cash, shareholders' loans for $350 million for one-year term with a fixed interest rate of 4%, loans with local banks for $276.5 million with terms ranging from three to seven years, and with an effective interest rate of 5.97% and own cash for $207.

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" or "Millicom"), whose ultimate holding company is Millicom International Cellular S.A. ("MIC").

Until November 12, 2021, the Combined Group shareholders were Millicom Group and Miffin which owned respectively 55% and 45% interests each of Tigo Guatemala. The Combined Group was governed by a shareholders' agreement. On November 12, 2021, MIC Group completed the acquisition of the remaining 45% equity interest in its joint venture business in Tigo Guatemala from Miffin, as a result, Millicom owns a 100% equity interest in Tigo Guatemala after such transaction. Tigo Guatemala's entities form one single business in substance as all the entities have one single common management.

1. ORGANIZATION (Continued)

On January 27, 2022, Comunicaciones Celulares S.A., announced the issuance of $900 million Senior Notes, bearing interest at 5.125% and due in 2032, with JP Morgan Chase Bank, N.A. as the Lender and the Bank of New York Mellon as administrative agent for the Lender.

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 February 28, 2022.

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. 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 at December 31, 2021 and 2020 and for each of the two years in the period ended December 31, 2021, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As used in these notes to the combined financial statements, the terms "the Combined Group", "the Group", "the Company", "we", "us", "our", and similar terms refer to the Tigo Guatemala 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 IFRS. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in note 3.

2.2 COVID-19 - Qualitative and quantitative assessment on business activities, financial situation and economic performance

On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. Most countries globally, including Guatemala, reacted by implementing severe restrictions on travel and public gatherings, including the closing of offices, businesses, schools, retail stores and other public venues, and by instituting curfews or quarantines. These restrictions, as well as the dangers posed by the virus, produced a significant reduction in mobility and a severe disruption in global economic activity, the effect of which was felt in Guatemala beginning in mid-March 2020.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

Impact on our business units

The government in Guatemala implemented restrictions beginning in mid-March, and these were generally maintained throughout the second and third quarters of 2020. As a result, many of our stores and distribution channels were forced to close temporarily and were gradually reopened. Our market experienced reductions in mobility during this period, and these disruptions impacted our service ability, however after the third quarter, product sales and services, have recovered.

During 2021, economic activity continued to recover in our market, as most countries continued to ease lockdowns implemented at the beginning of the pandemic, and remittances from the U.S. to Central America sustained double-digit growth year-on-year. During this period, the country experienced spikes in the number of COVID cases during the period, but government generally refrained from imposing strict lockdowns, choosing instead to use curfews, which had a negligible effect on commercial activity.

At December 31, 2021, and 2020, respectively, Management did not identify any significant adverse accounting effects as a result of the pandemic.

2.3 Combination

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

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

2.4 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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

The following table presents relevant currency translation rates to the U.S. dollar at December 31, 2021 and 2020 and average rates for 2021 and 2020:

Country	Currency	2021 Average rate	2021 Year-end rate	2020 Average rate	2020 Year-end rate
Guatemala	Quetzal	7.74	7.72	7.73	7.79

Transactions and balances

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

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

Translation into presentation currency

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

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

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

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

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at either historical cost or the lower of fair value 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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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 the 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.

2.6 Intangible assets

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

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (continued)

Goodwill

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

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

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

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

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

Programming and content rights

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

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (continued)

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Licenses were granted to the Combined Group for an initial term between 12 and 15 years. Licenses were all renewed for 20 years in December 2012 and January 2013.

During 2020 new information was available to Management in connection with the acquisition and registration of new licenses triggering a re-assessment of the useful lives of existing licenses. From this analysis Management concluded that all frequency licenses are indefinite life assets; consequently, a change in the useful life's estimation was made prospectively.

Based on the experience of the renewal of licenses, since it was confirmed that it is easily renewed at low cost; the main facts include:

- The renewal involves an exclusively administrative procedure.
- The cost of the renewal is insignificant.
- The terms for which the frequency licenses have been granted are equal to the original terms
- The technology used in broadcasting is not expected to be replaced by another technology at any time in the foreseeable future. Therefore, the license is expected to contribute to entity's net cash inflows indefinitely.

Consequently, the Combined Group has determined that, at January 1, 2020, it is appropriate to assign the intangible assets that originated by frequency licenses granted by the SIT (Superintendence of Telecommunications), under the framework of the Telecommunications Law (Decree Legislative No. 94-96), an indefinite useful life. We will continue to monitor this assessment in future periods considering the regulatory environment.

The non-amortization shows a better pattern of use of the asset; therefore, the Combined Group ceased to amortize licenses starting January 1, 2020. Due to the change in the classification of frequency licenses as an indefinite life asset, the Combined Group conducted an impairment analysis and will continue to conduct an impairment analysis on an annual basis over these assets under IAS 36. At December 31, 2021, no impairment was identified.

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

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (continued)

Indefeasible Rights-of-Use (IRU)
Indefeasible rights-of-use assets are permanent contractual agreements that cannot be undone, for example rights to use cables, fibers or capacity. IRU contracts are usually long term, commonly lasting up to 30 years. Depending on the type of system, the Company might be buying exclusive use of one or more assets. Only lit fiber arrangements (wavelength) can be capitalized as intangible assets, subject to the fulfillment of the following criteria:

Indefeasible Rights-of-use (IRU) (Continued)
- Fulfill the criteria defined by IAS 38 to qualify as an intangible asset (identifiable, measurable, controllable, generate future economic benefits);
- The contract identifies the lit fiber (wavelength) which are for the exclusive use of the Group;
- The service orders clearly include specification of the wavelength used;
- The contract is for a duration of more than one year.

2.7 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.

2.8 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. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.9 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.

Such amounts are included within "other current assets" on the statement of financial position. At 31 December 2021, there were $1.5 million of pledged deposits (2020: $174 thousands) (note 17).

2.10 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.

2.11 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.

2.12 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 also consider that a financial asset is in default when internal or external information indicates that it is unlikely that the Combined Group will receive the outstanding contractual amounts in full before taking into account any credit enhancements maintained by the Combined Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 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)

2.14 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.

2.15 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 considering 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.

2.16 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 a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

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

2.17 Trade payables

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

2.18 Revenue 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.

The Combined Group applies the following practical expedients foreseen in IFRS 15:

- No adjustment to 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.
- Disclosure 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).
- Application of the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if billing is equal to accounting revenue.
- Application of 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 otherwise would have been recognized is one year or less.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

2.18 Revenue from contracts with customers (Continued)

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 gross.

Combined Group'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.

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.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

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.

Significant judgments
The determination of the standalone selling price for contracts that involve more than one performance obligation may require significant judgment, such as when the selling price of a good or service is not readily observable.

The Combined Group determines the standalone selling price of each performance obligation in the contract in accordance with the prices that the Group would apply when selling the same services and/or telephone and equipment included in the obligation to a similar customer on a standalone basis. When standalone selling price of services and/or telephone and equipment are not directly observable, the Group maximizes the use of external inputs and uses the expected cost, plus margin approach to estimate the standalone selling price.

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 Incremental costs of obtaining a contract

Incremental costs of obtaining a contract, including dealer commissions, are capitalized as contract costs in the statement of financial position and amortized in operating expenses over the expected benefit period, which is based on the average duration of contracts with customer (see practical expedient in note 2.18).

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

New and amended IFRS standards

The following changes to standards have been adopted by the Combined Group and did not have any significant impact on the Combined Group's accounting policies or disclosures and did not require retrospective adjustments:

- Amendment to IFRS 16, "Leases" - COVID 19 Rent Concessions - effective for annual periods starting on June 1, 2020. While the Combined Group has implemented this amendment already in 2020, the IASB (in March 2021) extended its initial application beyond June 30, 2021, by one additional year.

2. SUMMARY OF COMBINATION AND ACCOUNTING POLICIES (Continued)

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 - effective for annual periods starting on January 1, 2021. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate.

Main relief provided by the Phase 2 amendments that is relevant to the Combined Group relate to:

- Changes to contractual cash flows, that is, when changing the basis for determining contractual cash flows for financial assets and liabilities required by the reform this will not result in an immediate gain or loss in the income statement but in an update of the effective interest rate (or an update in the discount rate to remeasure the lease liability as a result of the IBOR reform).

The following changes to standards not yet effective are not expected to materially affect the Combined Group:
Amendments effective for annual periods starting on January 1, 2022:

- IFRS 3 “Business Combinations” - Reference to Conceptual Framework.
- IAS 16 “Property, Plant and Equipment” - Proceeds before intended use.
- IFRS 17 “Insurance contracts”, including amendments.
- IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Cost of fulfilling a contract.
- Annual improvements to IFRS Standards 2018-2020, affecting IFRS 1, IFRS 9, IFRS 16 and IAS 41.

Amendments effective for annual periods starting on January 1, 2023 (not yet endorsed by the EU):

- Amendments to IAS 1, “Presentation of Financial Statements”: These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The IASB also issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements.
- IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of accounting estimates.
- Amendments to IAS 12, “Income Taxes: Deferred tax related to assets and liabilities arising from a Single Transaction” - These amendments clarify that the initial recognition exception does not apply to the initial recognition of leases and decommissioning obligations. These amendments apply prospectively to transitions that occur on or after the beginning of the earliest comparative period presented. In addition, an entity should apply the amendments for the first time by recognizing deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative period presented.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

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

- Contingent liabilities – the determination of whether or not a provision should be recorded for any potential liabilities.
- Leases – in determining the lease term, including the assessment of whether the exercise of extension or termination option is reasonably certain and the corresponding impact on the selected lease term.
- 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 located in Guatemala and therefore do not combined other subsidiaries outside Guatemala that are not material over which the Combined Group has control at, 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.
- Revenue recognition (see note 2.18).
- For leases, estimates in determining the incremental borrowing rate for discounting the lease payments in case interest rate implicit in the lease cannot be determined.
- Impairment testing including weighted average cost of capital (WACC) and long-term growth rates.
- Accounting for share-based payments, in particular estimates of forfeitures and future performance criteria.

For our critical accounting estimates reference is made to the relevant individual notes to these combined financial statements, more specifically note 5 – Breakdown of operating profit, note 7 – Taxes, note 8 – Intangible assets, note 9 – Property, plant and equipment, note 10 – Right-of-use assets, note 12 – Trade receivables, note 16 – Shared based compensation, and note 26 – Commitments and contingencies.

4. ACQUISITIONS OF BUSINESS

During the twelve-month period ended December 31, 2021, the Combined Group, made the following acquisition:

Ares Project:

On June 30, 2021, the Combined Group acquired a cable business for $3.0 million. The business acquisition included 100% of the customer list, network infrastructure and other operating assets of the entity. The Combined Group made the acquisition considering its strategic region location, for both its economic and its platform for convergence which will help the Combined Group brand's penetration at country level and thereby increase the subscribers base and the network infrastructure deployment.

The Combined Group measured the acquisition at fair value at the date of acquisition as follows:

US$ '000	Amount
Goodwill	1,649
Customer list	1,393
Fair value of net assets	222
Total	**3,264**

The fair value of intangible assets has been determined by applying the income approach technique.

The calculation is based on variables that are not observable in the market. The estimated fair value is based on:
- Discount rate of 8%.
- A terminal value calculated based on long-term sustainable growth rates of 2%, which was used to determine revenues in the coming years.
- An operating margin of 31%, a client loss rate of 11% and an average rate of charges for contributory assets of 4.8%.

During the twelve-month period ended December 31, 2020, the Combined Group, made the following acquisition:

Alexa Project:

On September 1, 2020, the Combined Group acquired a cable business for $2.3 million. The Combined Group acquired 100% of the customer list, network infrastructure and other operating assets of the entity.

The Combined Group measured the acquisition at fair value at the date of acquisition as follows:

US$ '000	Amount
Goodwill	1,520
Customer list	569
Fair value of net assets	208
Total	**2,297**

The fair value of intangible assets has been determined by applying the income approach technique.

The calculation is based on variables that are not observable in the market. 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 was used 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 for the years ended December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Tigo Mobile	1,323,045	1,269,570
Tigo Home	204,001	162,045
Tigo Corporate	69,509	66,834
MFS (Tigo Money and Tigo Pay)	4,024	4,065
Revenue from contracts with customers	**1,600,579**	**1,502,514**
Cost of rendering telecommunication services	(362,518)	(359,889)
Gross profit	**1,238,061**	**1,142,625**
Depreciation and amortization (see notes 8, 9 and 10)	(238,216)	(237,064)
Dealer commissions	(100,045)	(99,057)
Employee related costs (see note 6)	(68,099)	(67,063)
Sites and network maintenance	(69,230)	(63,622)
External services	(41,263)	(38,170)
Other expenses	(29,494)	(30,055)
Phone subsidies	(28,968)	(28,178)
Advertising and promotion	(27,765)	(23,051)
Other fees and costs	(15,074)	(15,484)
Loss on disposal and impairment of assets, net	(2,401)	(3,146)
Operating lease expense	(499)	(489)
Operating profit	**617,007**	**537,246**

6. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following for the years ended December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Wages and salaries	(68,667)	(66,608)
Social security	(4,597)	(4,474)
Other employee related costs	(3,492)	(1,699)
Share based compensation	(77)	(289)
Capitalized employee related costs	8,734	6,007
Total	**(68,099)**	**(67,063)**

The average number of permanent employees during the years ended December 31, 2021 and 2020 was as follows:

	2021	2020
Total average number of permanent employees	**3,168**	**3,272**

7. TAXES

Guatemalan companies are subject to all taxes applicable to Guatemalan limited liability companies. The effective tax rate in 2021 is 20% (2020: 19%). The reconciliation between the average statutory tax rate and the effective average tax rate is as follows for the years ended December 31, 2021 and 2020 respectively:

	2021 %	2020 %
Statutory tax rate (based on profit)………………………………….	25	25
Permanent differences..…………………………………..…………	(5)	(6)
Effective tax rate…..………………………………………….…………..	**20**	**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) for the years ended December 31, 2021 and 2020 respectively:

US$ '000	2021	2020
Income tax charge……………………………………………………	(92,620)	(89,363)
Net deferred income tax (expense) benefit…………………………	(19,617)	6,132
Charge for taxes……………………………………………..………	**(112,237)**	**(83,231)**

The tax effects of significant items excluding the exchange movements and comprising the Combined Group's net deferred income tax asset and liability at December 31, 2021 and 2020 are as follows:

US$ '000	Combined Statement of Financial Position		Combined Income Statement	
	2021	2020	2021	2020
Temporary differences between book and tax basis of:				
Property plant and equipment……………………….	7,821	25,750		
Intangible assets……………………………………	(18,527)	(18,496)		
Leases……………………………………………….	1,186	1,129		
Contract assets, bad debt and others……………...	4,265	5,890		
Deferred tax benefit……..…………………………..			**(19,617)**	**6,132**
Deferred tax assets, net…………………………..	**(5,255)**	**14,273**		
Reflected in the statements of financial position as:				
Deferred tax assets (i)………………………….......	5,526	25,275		
Deferred tax liabilities……………………………...	(10,781)	(11,002)		

(i) At December 31, 2021, "Deferred tax assets" decrease mainly due to tax regimen change from 25% to 7% of entity Servicios Innovadores de Comunicación y Entretenimiento, S.A for 2022.

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 at December 31, of each year comprise:

US$ '000	2021	2020
Income tax assets………………………………………………	5,498	4,134
Total……………………………………………………………	**5,498**	**4,134**

Current Income tax liabilities at December 31, of each year comprise:

US$ '000	2021	2020
Income tax liabilities………………………………………………	15,894	14,914
Total……………………………………………………………	**15,894**	**14,914**

8. INTANGIBLE ASSETS

Movements in intangible assets in 2021 were as follows:

US$ '000	Goodwill	Licenses	Customer lists	Other (i)	Total
Opening balance, net…………	**79,762**	**128,091**	**21,355**	**50,235**	**279,443**
Acquisition of business (see note 4)	1,649	—	1,393	—	3,042
Additions…………………………	—	21,502	—	18,155	39,657
Amortization charge…………….	—	—	(4,153)	(28,815)	(32,968)
Transfers (to)/from PP&E………	—	—	—	(28)	(28)
Exchange rate movements…….	1,003	1,391	114	273	2,781
Closing balance, net………….	**82,414**	**150,984**	**18,709**	**39,820**	**291,927**
Cost……………………………….	82,414	190,860	114,185	145,799	533,258
Accumulated amortization………	—	(39,876)	(95,476)	(105,979)	(241,331)
Net at December 31, 2021…….	**82,414**	**150,984**	**18,709**	**39,820**	**291,927**

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

Movements in intangible assets in 2020 were as follows:

US$ '000	Goodwill	Licenses	Customer lists	Other (i)	Total
Opening balance, net…………	**79,510**	**46,801**	**25,133**	**59,558**	**211,002**
Acquisition of business (see note 4)	1,520	—	569	—	2,089
Additions…………………………	—	80,965	—	19,481	100,446
Amortization charge…………….	—	—	(4,187)	(28,436)	(32,623)
Transfers (to)/from PP&E………	(11)	—	—	80	69
Disposals…………………………	—	—	—	(11)	(11)
Exchange rate movements…….	(1,257)	325	(160)	(645)	(1,737)
Closing balance, net………….	**79,762**	**128,091**	**21,355**	**50,235**	**279,443**
Cost……………………………….	79,762	168,069	50,373	156,317	454,521
Accumulated amortization………	—	(39,978)	(29,018)	(106,082)	(175,078)
Net at December 31, 2020…….	**79,762**	**128,091**	**21,355**	**50,235**	**279,443**

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

8. INTANGIBLE ASSETS (Continued)

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

US$ '000	2021	2020
Additions (i)…………………………………………………………..	39,657	102,743
Decrease in payables for intangible assets…………………………	4,644	4,557
Cash used for the purchase of intangible assets……………..	**44,301**	**107,300**

(i) Main variance comes from the spectrum acquisition (2021: $14.5 million and 2020: $83 million).

Impairment test of goodwill

At December 31, 2021 and 2020, 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 covering a period of fifteen 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 1.0% for both periods. The Combined Group has determined that the Combined Group is the only CGU based on the decision-making process as well as the level of detail of available information.

The recoverable amount has been determined for the cash generating unit based on discount rate of 9.1% for the year ended December 31, 2021 (2020: 8.2%). Based on the results of the impairment test performed, management concluded that no impairment losses should be recorded on goodwill for the years ended December 31, 2021 and 2020.

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 2021 were as follows:

US$ '000	Network Equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net……….	**477,649**	**8,786**	**33,553**	**13,187**	**533,175**
Acquisition of business (see note 4)	208	—	—	14	222
Additions……………………….	167,187	2,629	3,260	5,334	178,410
Net disposals………………….	(2,710)	(9)	—	(23)	(2,742)
Depreciation charge…………	(163,666)	(1,913)	—	(6,271)	(171,850)
Asset retirement obligations…	7,979	—	—	—	7,979
Transfers (to)/from intangible assets…………………………	113	(48)	—	(37)	28
Exchange rate movements….	4,610	86	333	356	5,385
Closing balance, net………..	**491,370**	**9,531**	**37,146**	**12,560**	**550,607**
Cost…………………………….	1,738,313	17,333	37,146	61,212	1,854,004
Accumulated depreciation……	(1,246,942)	(7,804)	—	(48,651)	(1,303,397)
Net at December 31, 2021….	**491,370**	**9,531**	**37,146**	**12,560**	**550,607**

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

Movements in tangible assets in 2020 were as follows:

US$ '000	Network Equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net……….	**485,094**	**9,542**	**39,139**	**14,900**	**548,675**
Acquisition of business (see note 4)	205	—	—	3	208
Additions……………………….	150,598	1,386	3,908	5,014	160,906
Net disposals………………….	(3,180)	(72)	(82)	(137)	(3,471)
Depreciation charge…………	(163,577)	(1,944)	—	(5,934)	(171,455)
Asset retirement obligations…	3,491	—	—	—	3,491
Transfers (to)/from intangible assets…………………………	9,669	(16)	(8,902)	(682)	69
Exchange rate movements….	(4,651)	(110)	(510)	23	(5,248)
Closing balance, net…………	**477,649**	**8,786**	**33,553**	**13,187**	**533,175**
Cost…………………………….	1,616,759	21,336	33,553	57,323	1,728,971
Accumulated depreciation……	(1,139,110)	(12,550)	—	(44,136)	(1,195,796)
Net at December 31, 2020….	**477,649**	**8,786**	**33,553**	**13,187**	**533,175**

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

The following table provides details of cash used for the purchase of property, plant and equipment for the years ended December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Additions…………………………………………………………………..	178,410	160,906
Change in suppliers' advances…………………………………………	4,254	2,737
Change in payables for property, plant and equipment……………..	(4,469)	15,680
Cash used for the purchase of property, plant and equipment.	**178,195**	**179,323**

Borrowing costs capitalized during the years ended December 31, 2021 and 2020 were not significant.

10. RIGHT-OF-USE ASSETS

Movements in right-of-use assets in 2021 were as follows:

US$ '000	Sites rental RoU	Land and Buildings RoU	Tower rental RoU	Other network equipment RoU	Other PPE RoU	Total
Opening balance, net……...	**131,269**	**18,581**	**47,978**	**2,164**	**14,793**	**214,785**
Additions……………………..….	1,841	1,488	4,494	734	10	8,567
Modifications…………………..	(3,081)	2,528	1,783	-	(1,626)	(396)
Net disposals……………..…..	(3,421)	(412)	(1,392)	-	-	(5,225)
Depreciation charge…………	(22,624)	(3,924)	(4,498)	(174)	(2,178)	(33,398)
Exchange rate movements….	1,220	174	462	22	54	1,932
Closing balance, net……….	**105,204**	**18,435**	**48,827**	**2,746**	**11,053**	**186,265**
Cost…………………….…..….	172,161	28,617	61,298	3,345	17,037	282,458
Accumulated depreciation….	(66,957)	(10,182)	(12,471)	(599)	(5,984)	(96,193)
Net at December 31, 2021…	**105,204**	**18,435**	**48,827**	**2,746**	**11,053**	**186,265**

Movements in right-of-use assets in 2020 were as follows:

US$ '000	Sites rental RoU	Land and Buildings RoU	Tower rental RoU	Other network equipment RoU	Other PPE RoU	Total
Opening balance, net……...	**149,846**	**21,985**	**49,404**	**715**	**16,862**	**238,812**
Additions…………………….….	6,198	563	2,918	2,509	119	12,307
Net disposals……………..…..	(2,069)	(260)	(113)	(934)	28	(3,348)
Depreciation charge…………	(22,706)	(3,707)	(4,231)	(126)	(2,216)	(32,986)
Closing balance, net……….	**131,269**	**18,581**	**47,978**	**2,164**	**14,793**	**214,785**
Cost…………………….…..….	176,820	25,348	56,383	2,584	18,477	279,612
Accumulated depreciation….	(45,551)	(6,767)	(8,405)	(420)	(3,684)	(64,827)
Net at December 31, 2020…	**131,269**	**18,581**	**47,978**	**2,164**	**14,793**	**214,785**

11. INVENTORIES

Inventories (net of impairment for obsolescence amounting to $2.4 million at December 31, 2021 and $1.9 million at December 31, 2020) at December 31 of each year comprise:

US$ '000	2021	2020
Telephones and equipment………………………………………….	22,236	19,113
Sim cards…………………………………………………………….	262	239
Other (i)………………………………………………………………	7,898	6,415
Total…….…………………………………………………………….	**30,396**	**25,767**

(i) The caption "Other" includes in-transit T&E inventory.

12. TRADE RECEIVABLES, NET

US$ '000	2021	2020
Gross trade receivables……	73,394	77,444
Less: provisions for expected credit losses……	(21,365)	(25,696)
Trade receivables, net……	**52,029**	**51,748**
Contract assets, net……	54,815	58,333
Total……	**106,844**	**110,081**

Contract assets

The balance of contract assets is presented below at December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Contract assets ……	36,154	36,402
Accrued income……	18,661	21,931
Contract assets, net……	**54,815**	**58,333**

The nominal value less provisions for credit losses expected of trade receivables approximates their fair values (see note 29). At December 31, 2021 and 2020, the aging analysis of trade receivables is as follows:

US$ '000	Contractual assets	Account receivables				Total
	Total	Current	Past due (net of credit losses expected)			
			<30 days	30–90	>90 days	
2021						
Accounts receivable…...	37,705	48,748	4,244	2,584	17,818	73,394
Expected credit losses...	(1,551)	(1,053)	(915)	(1,583)	(17,814)	(21,365)
Total……....	**36,154**	**47,695**	**3,329**	**1,001**	**4**	**52,029**
Expected credit losses	**4%**	**2%**	**22%**	**61%**	**100%**	

US$ '000	Contractual assets	Account receivables				Total
	Total	Current	Past due (net of credit losses expected)			
			<30 days	30–90	>90 days	
2020						
Accounts receivable…...	41,625	47,684	4,948	3,678	21,134	77,444
Expected credit losses...	(5,223)	(1,417)	(1,371)	(1,878)	(21,030)	(25,696)
Total……....	**36,402**	**46,267**	**3,577**	**1,800**	**104**	**51,748**
Expected credit losses	**13%**	**3%**	**28%**	**51%**	**100%**	

13. OTHER CURRENT ASSETS

Other current assets comprised at December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Loans receivables to Miffin (i)	33,437	—
Corporate saving funds..	21,632	21,494
VAT sales tax receivables..	2,996	871
Accrued interest on advance loan to Miffin........................	1,654	—
Other current assets..	2,397	1,447
Total..	**62,116**	**23,812**

(i) Advanced loan to Miffin that will be offset by the dividends to be declared in 2022.

14. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents comprised at December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Cash and cash equivalents in U.S. Dollars...........................	83,567	107,170
Cash and cash equivalents in GTQ..................................	69,391	81,372
Total cash and cash equivalents..................................	**152,958**	**188,542**

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 at December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Restricted cash in GTQ..	7,108	7,105
Total restricted cash..	**7,108**	**7,105**

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

15. EQUITY CONTRIBUTION

At years ended December 31, 2021 and 2020 the issued share capital of the combined entities consists of:

Company names	2021		2020	
	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
Cloud2Nube, S.A.	40	500	40	500
Navega.com, S.A.	200,017	100	200,017	100

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

The total shared capital and premium for the Combined Group for the years ended December 31, 2021 and 2020 is $8,219 thousand each period.

16. SHARE BASED COMPENSATION

Share awards are granted to management and key employees of the Combined Group, includes share-based compensation in the form of long-term share incentive plans. It consists 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), 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 plans applicable for the Combined Group detailed below.

Deferred share plan (since 2014)
Until 2018 deferred awards plan, participants were granted shares based on past performance, with 16.5% of the shares vesting on January 1 of each of year one and two, and the remaining 67% on 1 January of year three. Beginning 2019 plan shares vesting are 30% on January 1 of each of year one and two, and the remaining 40% on January 1 of year three. Vesting is conditional upon the participant remaining employed with Comcel or any Tigo Guatemala at each vesting date.

Performance share plan (for plans issued in 2016 and 2017)
Shares granted under this performance share plan vest at the end of the three-year period, subject to performance conditions, 25% based on Positive Absolute Total Shareholder Return (Absolute TSR), 25% based on Relative Total Shareholder Return (Relative TSR) and 50% based on budgeted Earnings Before Interest Tax Depreciation and Amortization (EBITDA) minus Capital Expenditure (Capex) minus Change in Working Capital (CWC) (Free Cash Flow).

For the Performance Share Plans, and in order to calculate the fair value of the TSR portion of those plans, it is necessary to make a number of assumptions which are set out below. The assumptions have been set based on an analysis of historical data at grant date. There were no performance share plans granted to the Group in 2020 or 2021.

16. SHARE BASED COMPENSATION (Continued)

Assumptions and fair value of the shares under the TSR portion	Risk-free rate	Dividend yield	Share price volatility (i)	Award term (years)	Share fair value (In USD)
Performance Share Plan 2017 (Relative TSR)	(0.40)%	3.80%	22.5%	2.92	27.06
Performance Share Plan 2017 (Absolute TSR)	(0.40)%	3.80%	22.5%	2.92	29.16
Performance Share Plan 2016 (Relative TSR)	(0.65)%	3.49%	30%	2.61	43.35
Performance Share Plan 2016 (Absolute TSR)	(0.65)%	3.49%	30%	2.61	45.94

(i) Historical volatility retained was determined on the basis of a 3-year historic average.

The cost of the long-term incentive plans which are conditional on market conditions is calculated based on the fair value (market value) of shares at grant date (as calculated above) times the number of shares expected to vest.

A summary of the shares vested under the relevant plans at December 31, 2021 and 2020 is as follows:

	Shares vested At December 2021	Shares vested At December 2020
Plans		
2017 Deferred Plan	—	26,038
2017 Performance Plan	—	3,106
2018 Deferred Plan	—	6,705
2019 Deferred Plan	230	115
2019 Deferred Plan	232	—
Total	**462**	**35,964**

Total share-based compensation expense

For plans with unvested shares at December 31, 2021, the number of share awards ultimately expected to vest at December 31, 2021 under the current long-term incentive plans is as follows:

	Deferred share awards 2021	Deferred share awards 2020	Deferred share awards 2019
Shares granted	2,984	774	383
Shares vested	—	(232)	(230)
Share awards expected to vest	**2,984**	**542**	**153**

16. SHARE BASED COMPENSATION (Continued)

Total share-based compensation expense for the years ended December 31, 2021 and 2020 was as follows:

US$ '000	2021	2020
2018 LTIPs	—	263
2019 LTIPs	3	7
2020 LTIPs	10	19
2021 LTIPs	64	—
Total	**77**	**289**

17. OTHER DEBT AND FINANCING

Borrowings due after more than one year at December 31, 2021 and 2020, respectively:

US$ '000	2021	2020
Bank financing	605,250	413,404
Total other debt and financing due after more than one year	**605,250**	**413,404**

No borrowings are due within one year.

The total amount of debt and financing at December 31, 2021 and 2020, respectively, is repayable as follows:

US$ '000	2021	2020
Amounts due within 2 to 3 years	16,194	8,019
Amounts due within 4 to 5 years	538,856	347,647
Amounts due after five years	50,200	57,738
Total debt	**605,250**	**413,404**

Significant individual financing facilities at December 31, 2021 and 2020, respectively, are described below:

Comunicaciones Celulares, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2021	Amount outstanding US$'000 2020
Banco Industrial, S.A.	2025	GTQ	(fixed) 7.20%	22,583	22,366
Banco Industrial, S.A.	2025	GTQ	(fixed) 6.20%	204,687	80,833
Banco G&T Continental, S.A.	2025	GTQ	(fixed) 6.00%	64,774	64,153
Banco G&T Continental, S.A.	2026	GTQ	(fixed) 6.00%	29,148	—
Banco de América Central, S.A.	2026	GTQ	(fixed) 6.00%	32,387	32,077
Banco Agromercantil de Guatemala, S.A.	2027	GTQ	(fixed) 5.75%	50,200	49,719

17. OTHER DEBT AND FINANCING (Continued)

Servicios Especializados en Telecomunicaciones, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2021	Amount outstanding US$'000 2020
Banco Industrial, S.A.	2025	GTQ	(fixed) 7.20%	55,122	54,594

Navega.com, S.A

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2021	Amount outstanding US$'000 2020
Banco Agromercantil de Guatemala, S.A.	2027	GTQ	(fixed) 5.75%	50,200	49,719

Servicios Innovadores de Comunicación y Entretenimiento, S.A.

Description	Maturity	Currency	Interest rate	Amount outstanding US$'000 2021	Amount outstanding US$'000 2020
Banco Industrial, S.A.	2025	GTQ	(fixed) 6.75%	60,523	59,943
Banco Industrial, S.A.	2025	GTQ	(fixed) 6.75%	35,626	—

Total other debt and financing……………………………………………….	**605,250**	**413,404**

The interest expense for the years ended December 31, 2021 and 2020, respectively, is comprised as follow:

US$ '000	2021	2020
Banks's interest……………….…………………………………………..	28,226	15,142
Lease interest………………………………………………………… ……	17,915	20,165
Shareholder´s interest……………………………………………………...	5,771	2,809
Bond's interest (i)....……………...……………………….……………...………	—	76,180
Total debt…………………………………………………………………...	**51,912**	**114,296**

(i) Interest expense is lower in the period ended December 31, 2021, compared to last year, as a result of the early redemption of the Senior Notes in November 2020. Last year also included the provision for the redemption premium fee of $18 million and remaining unamortized costs of $7.7 million on those same Senior Notes.

On June 19, 2020, Comunicaciones Celulares, S.A. ("Comcel") entered into a credit agreement with Banco Industrial for GTQ 500 million (approximately $64 million using the exchange rate at December 31, 2020) for a 5-year term.

On November 18, 2020, Comcel redeemed the $800 million aggregate principal amount of its outstanding 6.875% Senior Notes due 2024 (see note 1). The early repayment of the Senior Notes was financed by a mix of cash, shareholders' loans for $350 million for one-year term with a fixed interest rate of 4%, and loans from local banks for Q2,155 million (approximately $276.5 million) with terms ranging from three to seven years, and with an effective interest rate of 5.97%.

On December 10, 2021, the Combined Group contracted new local bank loans for a total of Q1,450 million ($187.6 million using the December 10, 2021 GTQ/USD exchange rate of 7.73) with term ranging from four to five years and with an effective interest rate of 6%.

17. OTHER DEBT AND FINANCING (Continued)

Fair value of financial liabilities

Borrowings are recorded at amortized cost. The fair value of borrowings at December 31, 2021 and 2020 is as follows:

US$ '000	2021	2020
Other debt and financing…………………………………………..	578,209	413,404

The carrying value of the other financial liabilities is assumed to approximate their fair values (see note 29).

Guarantees

At December 31, 2021, Tigo Guatemala is co-debtor of Comunicaciones Celulares, S.A, Servicios Especializados en Telecomunicaciones, S.A., Servicios Innovadores de Comunicación y Entretenimiento, S.A. and Navega.com, S.A. on bank loans described in this note; these bank loans have a joint fiduciary guarantee.

Pledged assets

At December 31, 2021 there are $1.5 million of pledged deposits (2020: $174 thousands).

18. LEASE LIABILITIES

The lease liabilities for the years ended December 31, 2021 and 2020, respectively, is comprised as follow:

US$ '000	2021	2020
Opening balance …………………………………………………	229,290	242,568
Additions…………..……………………………………………...	8,567	6,256
Repayment of leases (capital component)………………………..	(28,236)	(25,867)
Modifications…………...…..…..…………………………………..	(5,974)	6,102
Revaluation…………………………………………………………...	(580)	231
Total lease liabilities ……………………………………………	**203,067**	**229,290**
Lease liabilities (current) ……...……………………………..……	28,589	24,035
Lease liabilities (non-current)……………………………………..	174,478	205,255

Lease liabilities split by maturity is disclosed in note 28.

As permitted under IFRS16, the Combined Group has elected not to recognize a lease liability for short term or for leases of low value assets. Payments associated with short-term leases of vehicles and low-value assets associated with office furniture are recognized as an expense in the combined statement of income.

19. PAYABLES AND ACCRUALS FOR CAPITAL EXPENDITURE

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

US$ '000	2021	2020
Accruals for intangible assets…………………………………………	9,297	10,894
Payables for intangible assets………………………………………..	8,858	10,800
Accruals for tangible assets………………………………………....	8,513	5,638
Payables for tangible assets………………………………………..	6,816	5,132
Total…………………………………………………………………...	**33,484**	**32,464**

20. TRADE PAYABLES

Trade payables at December 31 of each year comprise:

US$ '000	2021	2020
T&E suppliers…..………………………………………………………..	22,235	7,914
Fixed operators………………………………………………………..	6,160	4,990
Mobile operators………………………………………………………	2	30
Others……………………………………………………………………	6,996	12,726
Total…………………………………………………………………...	**35,393**	**25,660**

The "others" caption contains the remaining all third-party suppliers of the Combined Group.

21. ACCRUED INTEREST AND ACCRUED EXPENSES

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

US$ '000	2021	2020
Accruals for employee related costs…..……………………….…....	17,448	13,847
Accruals for programming and advertising costs...………….………	11,122	10,621
Accruals for network maintenance…………………………..……...	9,884	8,418
Accruals for interconnection costs.…………………..……………..	5,855	6,385
Accrued interest expenses..………………………………………...	1,674	1,884
Other accrued expenses………………………………………………	10,443	12,453
Total…………………………………………………………………...	**56,426**	**53,608**

The "other accrued expenses" caption relates to various accruals.

22. CONTRACT LIABILITIES

Contract liabilities at December 31 of each year comprise:

US$ '000	2021	2020
Deferred revenue..………………………………………………………	37,037	35,137
Contract liabilities………………………………………………………..	978	822
Total…………………………………………………………………	**38,015**	**35,959**

23. NON-CURRENT AND CURRENT PROVISIONS AND OTHER LIABILITIES

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

US$ ‘000	2021	2020
Long-term portion of asset retirement obligations…….……………..	56,188	48,389
Other non-current liabilities…………………………………………	476	2,338
Provisions (non-current) ……………………………………….…..	37	240
Non-current litigation provisions (see note 26) ………………………	51	51
Total…………………………………………………………………	**56,752**	**51,018**

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

US$ ‘000	2021	2020
Customer and distributor restricted cash balances…………………	7,043	6,922
Current provisions……………………………………………………	2,085	1,107
Customer deposits……………………………………………………	39	121
Other………………………………………………………………….	17,485	23,724
Total…………………………………………………………………	**26,652**	**31,874**

24. 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 2021, the entities of the Combined Group declared dividends of $366 million (2020: $363 million) which are usually paid over two fiscal years.

US$ ‘000	2021	2020
Dividends offset with accounts receivable from related parties……	322,695	322,381
Payment of dividends……………………………………………...	25,124	21,718
Income tax withheld on dividends paid…………………………….	18,276	18,061
Exchange rate movement………………………………………….	7	337
Total…………………………………………………………………	**366,102**	**362,497**

25. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

US$ ‘000	2021	2020
Investing activities…………………………………………………		
Change in asset retirement obligations (see note 9) ……………….	7,979	3,491
Financing activities…………………………………...……………		
Right-of-use assets – additions (see note 10) ……………………….	8,567	12,307
Dividends offset with accounts receivable from related parties (see note 24) ……………………………………………...…….	322,695	322,381

26. 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 are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. At December 31, 2021 and 2020, $51 thousand in both periods have been accrued 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.

Tax claims

At December 31, 2021, Navega.Com, S.A. is disputing through an administrative process an adjustment made by the Tax Authorities in regards with the goodwill amortization of approximately $21.9 million related with business combinations completed in 2011 with an effective date on January 1, 2012. Even though the administrative process has been initiated at the Supreme Court, the tax authority has requested that the attorney general's office investigate this matter through a criminal prosecution. Although this resolution could be appealed by the tax authorities, due to the favourable resolution from the criminal court and the Company's current assessment of the case, no provision has been deemed necessary at December 31, 2021.

In 2007, the tax authorities made an adjustment regarding the stamp tax on dividend distributions made by Comunicaciones Celulares, S.A., to its shareholders in that year. The tax position resulting from the adjustment has been resolved in different ways by the courts, sometimes in favor of the taxpayers, however recently it has solved in favor of the tax authorities. Based on the latest jurisprudence, management decided to recognize in June 2020 a provision for $7.3 million. Such provision includes the total adjustment plus a portion of fines and interest and represents management's best estimate of the outcome. This case is in the judicial phase at the Guatemalan Supreme Court.

Capital commitments

At December 31, 2021, the Combined Group had fixed commitments to purchase network equipment, land and buildings and other fixed assets for $63 million (2020: $93 million), from various suppliers.

27. RELATED PARTY TRANSACTIONS AND BALANCES

Millicom Group subsidiaries

The Combined Group receives business support and financing from various Millicom Group entities including MIC the ultimate holding company Millicom International II NV ("MIC IINV") 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 IINV at December 31, 2021 represents shareholder loans that are due in 2022.

27. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

On November 12, 2021, Millicom acquired the remaining 45% equity interest in its joint venture business in Guatemala (collectively, "Tigo Guatemala") from Miffin for $2.2 billion in cash. As a result, Millicom owns 100% equity interest in Tigo Guatemala.

Miffin Associates Corp

Transactions with Miffin shareholders represent recurring commercial operations such as purchase of handsets, lease of buildings and sites and sale of airtime. From November 12, 2021, Miffin does not qualify as related party anymore. From that date onwards, transactions and balances are therefore not reported in the tables below.

Amounts due from related parties (non-current portion) at December 31, 2021 and 2020, respectively, are as follows:

US$ '000	2021	2020
Millicom International II NV	—	27,500
Miffin Associates Corp	—	22,500
Others	10	10
Total	**10**	**50,010**

Amounts due from and advanced to related parties (current portion) at December 31, 2021 and 2020, respectively, are as follows:

US$ '000	2021	2020
MIC S.A (i)	187,923	368
Millicom International II NV	159,984	201,692
Telemóvil El Salvador, S.A. de C.V.	1,495	—
Newcom Nicaragua, S.A.	377	232
Navega, S.A. de C.V.	236	473
Miffin Associates Corp	—	163,400
Others	1,224	1,282
Total	**351,239**	**367,447**

(i) At December 31, 2021, the balance includes the withholding tax paid to the Guatemalan tax authorities by Comcel on behalf of Millicom, as a result of the acquisition of the remaining 45% equity interest from Miffin.

Amounts due to related parties (current portion) at December 31, 2021 and 2020, respectively, are as follows:

US$ '000	2021	2020
MIC, S.A (i)	2,826	196,430
Millicom Cable Costa Rica, S.A.	2,651	2,486
Telemóvil El Salvador, S.A. de C.V.	1,817	—
Millicom Spain, S.L.	826	1,163
Metrored Cable Honduras, S.A. de C.V.	285	327
Miffin Associates Corp (i)	—	164,232
Others	840	2,457
Total	**9,245**	**367,095**

(i) At December 31, 2020, the balance included the outstanding balance of the shareholders' loans of $350 million (MIC $192.5 million and Miffin $157.5 million) which was fully repaid during 2021.

27. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The following significant transactions were conducted with related parties for the years ended December 31, 2021 and 2020 respectively:

US$ '000	2021	2020
Revenue (i)..	309,732	341,563
Cost of sales and operating expenses (ii).............................	(184,353)	(235,274)

(i) Mainly comprising airtime revenue, corporate transmissions and other revenue with Nexcel, a Miffin's entity.
(ii) Mainly composed by handset acquisition, network maintenance, site rental costs, airtime costs and other direct costs with Celution Corporation, Lark Capital Group and Las Azaleas, S.A., all being Miffin's entities.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured (except for intercompany receivables amounting to $347,906 (2020: $415,092), operating receivables and payables with related parties do not generate interest) and are settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2021 and 2020, 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.

28. 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 17), the Combined Group's exposure to risk of changes in market interest rates relates to fair value interest rate risk only.

The table below summarizes, at December 31, 2021, the Combined Group's fixed 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....................	—	—	8,097	8,097	465,985	123,071	605,250
Weighted average nominal interest rate.....	—	—	6.000%	6.000%	6.287%	5.898%	6.200%

28. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes, at December 31, 2020, the Combined Group's fixed 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....................	—	—	—	—	281,889	131,515	413,404
Weighted average nominal interest rate.....	—	—	—	—	6.544%	5.811%	6.311%

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 December 31, 2021, if the US Dollar had weakened/strengthened by 10% against the Quetzal and all other variables held constant, then profit before tax would have increased/decreased by $64 million, and $52 million, respectively (2020: $48 million and $39 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.

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.

The 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.

Account 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.

28. FINANCIAL RISK MANAGEMENT (Continued)

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 with four bank loans (note 17). Combined Group management believes that there is sufficient liquidity available to meet ongoing liquidity needs.

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

Year ended December 31, 2021

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 17)	—	482,179	123,071	605,250
Lease liabilities (see note 18)	28,589	117,101	57,377	203,067
Future interest commitments on debt	37,527	124,183	5,773	167,483
Future interest commitments on leases	16,288	39,842	15,848	71,978
Trade payables (excluding accruals) (see notes 19 and 20)	51,067	—	—	51,067
Other financial liabilities (including accruals) (see notes 19, 21 and 27)	83,481	—	—	83,481
Total financial liabilities	**216,952**	**763,305**	**202,069**	**1,182,326**

Year ended December 31, 2020

US$ '000	Less than 1 year	1 to 5 years	>5 years	Total
Other debt and financing (see note 17)	—	—	413,404	413,404
Lease liabilities (see note 18)	24,035	124,828	80,427	229,290
Future interest commitments on debt	26,090	104,362	13,360	143,812
Future interest commitments on leases	22,383	44,235	16,461	83,079
Trade payables (excluding accruals) (see notes 19 and 20)	41,592	—	—	41,592
Other financial liabilities (including accruals) (see notes 19, 21 and 27)	437,235	—	—	437,235
Total financial liabilities	**551,335**	**273,425**	**523,652**	**1,348,412**

Capital management

The primary objective of the Group's capital management is to ensure a strong credit rating and solid capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure with reference to local economic conditions.

29. 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 combined 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 December 31, 2021 and 2020, the Combined Group does not own any financial instruments that are measured at fair value.

The fair value of all financial assets and all financial liabilities except debt and financing, approximate their carrying value largely due to the short-term maturities of these instruments. Refer to note 17 for further details on fair value of debt and financing. The fair 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).

30. SUBSEQUENT EVENT

On January 27, 2022, Comunicaciones Celulares S.A., announced the issuance of $900 million Senior Notes, bearing interest at 5,125% and due in 2032, with JP Morgan Chase Bank, N.A. as the Lender and the Bank of New York Mellon as administrative agent for the Lender.

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