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OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES CONFIDENTIAL

Millicom International Cellular S.A.

$500,000,000 5.125% Senior Notes due 2028

Millicom International Cellular S.A. (the "Issuer") is offering $500,000,000 aggregate principal amount of its 5.125% Senior Notes due 2028 (the "Notes").

The Issuer will pay interest on the Notes semi-annually on each January 15 and July 15, commencing on January 15, 2018. The Notes will mature on January 15, 2028.

The Issuer may redeem some or all of the Notes at any time prior to September 15, 2022 at a price equal to 100% of the principal amount of the Notes redeemed plus accrued and unpaid interest and additional amounts, if any, to the redemption date and a "*make whole*" premium and at any time on or after September 15, 2022 at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest and additional amounts, if any, to the redemption date. In addition, at any time on or prior to September 15, 2020, up to 40% of the aggregate principal amount of the Notes may be redeemed with the net proceeds of certain equity offerings, including certain equity offerings of our subsidiaries, or from the sale of certain specified assets at a redemption price equal to 105.125% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the redemption date if at least 50% of the originally issued aggregate principal amount of the Notes remains outstanding. During any 12-month period until September 15, 2022, up to 10% of the aggregate principal amount of the Notes may be redeemed on an annual basis at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any, to the redemption date. All of the Notes may also be redeemed at 100% of their principal amount plus accrued interest to the redemption date upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain change of control events and a ratings decline, each holder of the Notes may require the Issuer to repurchase all or a portion of its Notes.

The Notes will be senior obligations of the Issuer and will rank pari passu in right of payment with all of the Issuer's existing and future indebtedness and senior in right of payment with all of the Issuer's existing and future subordinated indebtedness.

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus for securities dated July 10, 2005, as amended.

The net proceeds from the offering of the Notes are intended to be used (i) to finance the purchase of the Issuer's 6.625% Notes due 2021 (the "Existing Notes"), tendered and accepted for purchase in accordance with the terms and conditions of a tender offer launched by the Issuer on or about September 11, 2017 pursuant to a tender offer memorandum of the same date (the "Tender Offer") that is expected to be settled on or about September 20, 2017, (ii) the voluntary conditional redemption of all Existing Notes that remain outstanding on October 15, 2017, (iii) to fund capital expenditures and (iv) for general corporate purposes.

Investing in the Notes involves a high degree of risk. You should consider carefully the risk factors beginning on page 22 of this offering memorandum before investing in the Notes.

Price: 100.000% plus accrued interest, if any, from the issue date.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered, the Notes may be offered and sold only in transactions that are exempt from registration under the Securities Act or the securities laws of any other jurisdiction. Accordingly, the Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and to non-U.S. persons in accordance with Regulation S under the Securities Act. For further details about eligible offerees and resale restrictions, see "*Transfer Restrictions.*"

We expect that the Notes will be delivered to investors in book-entry form through The Depository Trust Company, Euroclear and Clearstream on or about September 20, 2017. Interests in each global note will be exchangeable for the relevant definitive notes only in certain limited circumstances. See "*Book-Entry, Delivery and Form*."

Joint Bookrunning Managers

BNP PARIBAS **Goldman Sachs International** **J.P. Morgan** **Scotiabank**

Co-Managers

BBVA **Citigroup** **ICBC** **Standard Bank**

The date of this offering memorandum is September 20, 2017.

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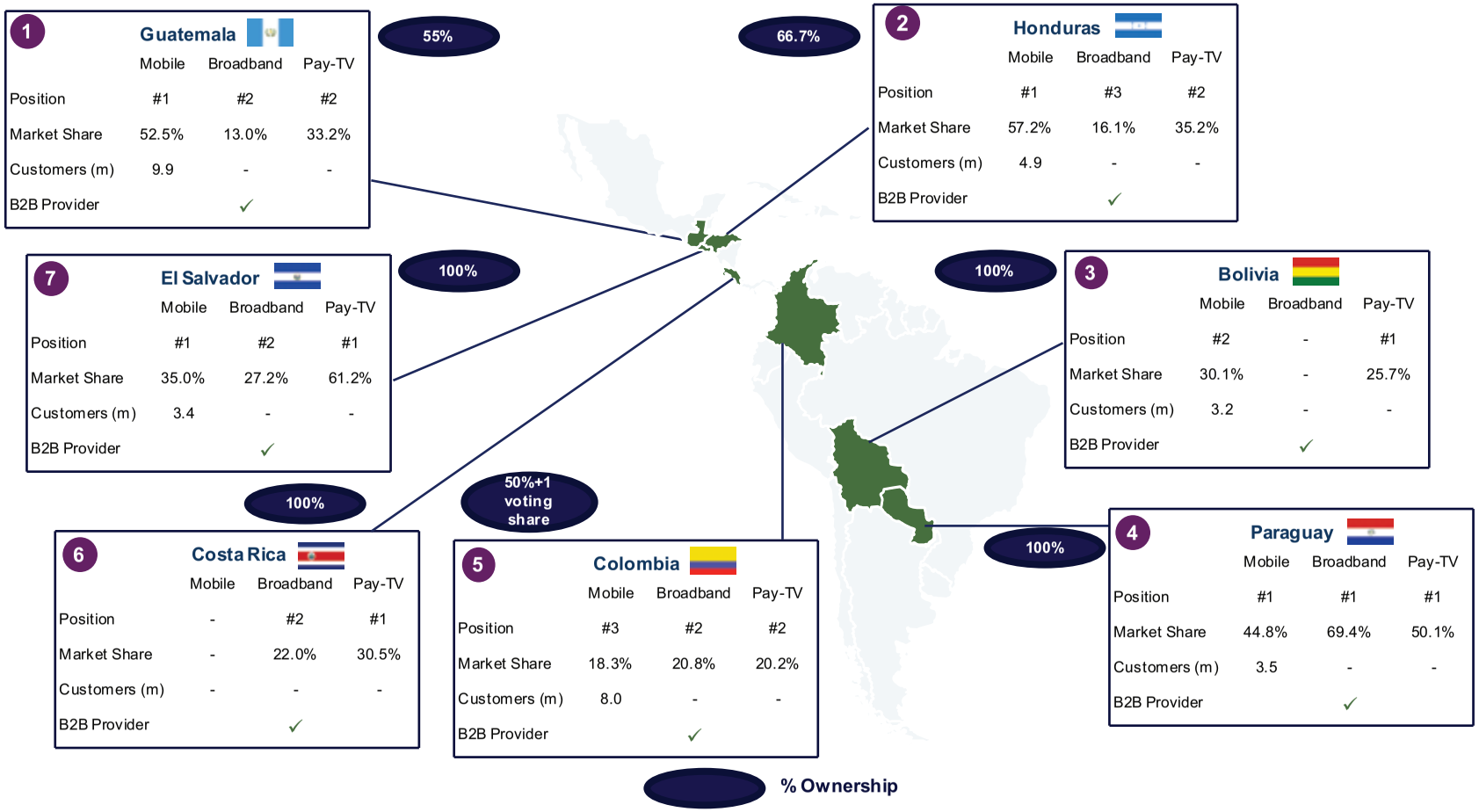
The Millicom Group's Latin America B2C Mobile, Broadband, Pay-TV and B2B Operations



Source: Millicom, Dataxis, TeleGeography
Mobile and broadband market share calculations are based on data provided by TeleGeography as of March 31, 2017. Broadband market share and market position are adjusted to remove smaller competitors.
Pay-TV market share calculations are based on data provided by Dataxis as of December 31, 2016. Market share and market share position are adjusted to remove smaller competitors.

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Important information about this offering memorandum

The Issuer, having made all reasonable inquiries, confirms that the information contained in this offering memorandum with regard to us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

You should rely only on the information contained in this offering memorandum. We have not, and BBVA Securities Inc., BNP Paribas, Citigroup Global Markets Limited, Goldman Sachs International, ICBC Standard Bank Plc, J.P. Morgan Securities plc, Scotia Capital (USA) Inc. and The Standard Bank of South Africa Limited (the "Initial Purchasers") have not, authorized any other person to provide you with information that is different. The information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum or otherwise as of the date specifically referred to in connection with the particular information. Our business, prospects, financial condition and results of operations may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This offering memorandum summarizes certain material documents and other information, but references are made to the actual documents for complete information. All such summaries are qualified in their entirety by such references.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are not transferable except in accordance with the restrictions described herein. See the sections headed "*Plan of Distribution*" and "*Transfer Restrictions*" in this offering memorandum.

You are hereby notified that sellers of the securities, including the Notes, may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

This offering memorandum is being provided for informational use solely in connection with consideration of a purchase of the Notes (i) to U.S. investors that the Issuer reasonably believes to be qualified institutional buyers as defined in Rule 144A under the Securities Act, and (ii) to certain persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the Securities Act. Its use for any other purpose is not authorized. This offering memorandum may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the qualified institutional buyers described in (i) above or to persons considering a purchase of the Notes in offshore transactions described in (ii) above.

This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates, and this offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. In particular, the terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for the purposes of a public offering or sale in or from Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement, communication or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except in circumstances where the offer is made in accordance with applicable law and regulations and, in particular, where such offer benefits from an exemption to or constitutes a transaction otherwise not subject to the requirement to publish a prospectus for the purpose of the Luxembourg law dated July 10,

2005 on prospectuses for securities, as amended from time to time (the "Prospectus Law"). In addition, there may be legal restrictions on the distribution of this offering memorandum, this offering and the sale of the Notes in certain jurisdictions. If you come into possession of this offering memorandum, we and the Initial Purchasers require that you inform yourself about and observe any such restrictions. The Notes are subject to restrictions on sale and resale and transfer, as described under "*Plan of Distribution*" and "*Transfer Restrictions*" in this offering memorandum. You may be required to bear the financial risks of investing in the Notes for an indefinite period of time.

Neither the U.S. Securities and Exchange Commission (the "SEC"), nor any state securities commission in the United States has approved or disapproved of these securities or determined if this offering memorandum is truthful, complete or adequate. Any representation to the contrary is a criminal offense.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates or the Notes (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

This offering memorandum is confidential. You should not reproduce or distribute this offering memorandum, in whole or in part, and should not disclose any of its contents or use any information in this offering memorandum for any purpose other than considering an investment in the Notes. However, notwithstanding any provision in this offering memorandum or any agreement to the contrary, the Initial Purchasers, each holder and offeree (and their respective employees, representatives and other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Notes and all materials of any kind (including opinions or other tax analyses) that are provided by us or the Initial Purchasers relating to such tax treatment and tax structure, except where confidentiality is reasonably necessary to comply with securities laws.

We are furnishing this offering memorandum solely for the purpose of enabling you to consider the purchase of the Notes. You should not consider this offering memorandum to be legal, business or tax advice. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. If you are in any doubt about this offering memorandum, you should consult your legal counsel, professional accountant or other professional advisors. We have provided the information contained in this offering memorandum and have also relied on other identified sources. The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and you should not rely on anything contained in this offering memorandum as a promise or representation by the Initial Purchasers whether as to the past or the future. By accepting delivery of this offering memorandum, you agree to these terms. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes.

We reserve the right to withdraw the offering of the Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for or purchase the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of purchase of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

The Issuer has prepared this offering memorandum solely for use in connection with this offering and for applying to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market. The Issuer cannot guarantee that its application for the admission of the Notes to trading on the Euro MTF market and to listing of the Notes on the Official List of the Luxembourg Stock Exchange will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

IN CONNECTION WITH THIS OFFERING OF NOTES, BNP PARIBAS MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT BNP PARIBAS WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES.

Notice to New Hampshire residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to U.S. investors

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this offering memorandum under "*Transfer Restrictions*." The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Transfer Restrictions*." The Notes may not be offered to the public within any jurisdiction. By accepting delivery of this offering memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Notes to the public.

Notice to European Economic Area investors

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that

Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospective Directive other than in reliance of Article 3(2)(b).

For the purposes of this provision, the expression an "*offer of Notes to the public*" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "*Prospectus Directive*" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "*2010 PD Amending Directive*" means Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a "*qualified investor*" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

See "*Risk Factors*" for a description of certain factors relating to an investment in the Notes, including information about our business. None of us, the Initial Purchasers or any of their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

Industry, market and customer data

Customer data

The customer data included in this offering memorandum, including penetration rates and ARPU, are determined by management, are not financial measures or part of the Millicom Group's financial statements and have not been audited or otherwise reviewed by an outside auditor, consultant or expert. We define mobile ARPU for an indicated period as (x) the total recurring mobile revenue (excluding revenue earned from tower rentals, call center and mobile telephone equipment sales revenue) for the period, divided by (y) the average number of Revenue Generating Units ("RGU") or active customer relationships (see "—*Churn*" below), as applicable, for the period, divided by (z) the number of months in the period. We define Home ARPU for an indicated period as (x) the total recurring Home revenue (excluding equipment sales) for the period, divided by (y) the average number of RGUs or active customer relationships, as applicable, for the period divided by (z) the number of months in the period.

Each customer of any of our non-mobile services is counted as one RGU for each service subscribed. Thus, a customer who receives cable, broadband and fixed-line telephone services from the Millicom Group (regardless of their number of telephone access lines) would be counted as three RGUs.

Market and industry data

We operate in countries in which it is difficult to obtain precise market and industry information. Other than for the calculation of market position, penetration rate, market share and churn, we have generally obtained the market and industry data in this offering memorandum from regulatory reports, reports from our competitors and industry analytical services, such as Oxford Economics, TeleGeography's GlobalComms database, Dataxis, Informa's Ovum TMT Intelligence and GSMA Intelligence, that we believe to be reliable.

However, none of the Issuer, the Initial Purchasers or any of their respective advisors can verify the accuracy and completeness of such information and none of the Issuer, the Initial Purchasers or any of their respective advisors has independently verified or audited such market and position data. The Issuer does, however, accept responsibility for the correct reproduction of this information and, as far as it is aware and is able to ascertain from information published, no facts have been omitted that would render the reproduced information inaccurate or misleading.

In addition, in many cases the Issuer has made statements in this offering memorandum regarding the Millicom Group's industry and position in the industry based on the Millicom Group's experience and the Millicom Group's own investigation of market conditions. None of the Issuer, the Initial Purchasers or any of their respective advisors can assure you that any of these assumptions are accurate or correctly reflect its position in the industry, and none of the Millicom Group's internal surveys or information have been verified by independent sources.

Market share and penetration rates

Mobile market share refers to a share of all mobile customers in a particular market, and our mobile penetration rate refers to the portion of the population that are active mobile customers within a specific market. Cable or broadband market share refers to our share of all cable or broadband customers in a particular market, and our fixed penetration rate refers to the number of households which subscribe to our fixed cable, broadband and/or fixed telephone services as a percentage of the total number of homes passed by our cable infrastructure in a market. Market share and penetration rate can be calculated using different methodologies. We calculate mobile market share by using the traffic passing through our mobile network as a basis for determining usage, by identifying the number of our customers making calls to other customers on our networks (on-net calls) and the number of our competitors' customers calling or receiving calls from our customers (cross-net calls). We calculate our mobile penetration rate by estimating the total number of active customers (as described below) in the relevant market based on

interconnect traffic on our network. As we do not have data for customers that make on-net calls in our competitors' networks, we calculate the ratio of our 'on-net only users' to our cross-net traffic and then apply such ratios to our competitors based on cross-net calls made to or from their networks and our network.

We adjust this methodology for inactive customers, which we define as any customer who has not been active for 60 days, that may be reported by our competitors, and which may otherwise inflate our competitors' market share calculations. Regulators and some of our competitors define inactive customers differently, often applying a longer period to determine when a customer has become an inactive customer (as discussed below under "*—Churn*").

We believe that, in view of the lack of official public figures on market share in our markets, our process accurately determines our penetration rate, market share, the market share of our competitors and the size of the entire market. Although we believe our market share and penetration rate data is appropriate and accurately reflects the market, we cannot assure you this is the case. Regulators, independent third parties and our competitors may calculate market share and penetration rate figures differently than us and, as a result, they may report different market shares and penetration rates for the Millicom Group and its competitors, and these differences may be material.

Churn

Churn rates are calculated by dividing the number of customers whose service is disconnected during a period, whether voluntarily or involuntarily (such as when a customer fails to pay a bill) by the average number of customers during the period. We believe that we apply conservative policies in calculating customer totals and related churn rates. For example, we count a customer as an active "*customer*" only when the customer has made a revenue generating activity within a 60-day period. Our more conservative definitions may result in different churn rates than if we used criteria or methodologies employed by other operators in calculating customer churn and market share.

Trademarks

We own or have rights to certain trademarks in our business, including the following trademarks used in this offering memorandum: tigo®, Tigo Sports®, Tigo Music®, Tigo Money®, tigo, UNE®, The Digital Lifestyle® and Zantel®. This offering memorandum also refers to brand names, trademarks or service marks of other companies. All brand names and other trademarks or service marks of any other company cited in this offering memorandum are the property of their respective holders.

Cautionary statement regarding forward-looking statements

This offering memorandum contains statements that constitute "*forward-looking*" statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. This offering memorandum contains certain forward-looking statements in various sections, including, without limitation, under the headings "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Our Business*," and in other sections where the offering memorandum includes statements concerning our intentions, beliefs or current expectations regarding our future financial results, plans, liquidity, prospects, growth, strategy and profitability, as well as the general economic conditions of the industries and countries in which we operate. We may from time to time make written or oral forward-looking statements in other communications. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future sales or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries and the economic, political and legal environments in which we operate and other information that is not historical information.

Many of the forward-looking statements contained in this offering memorandum can be identified by the use of forward-looking words such as "*anticipate*," "*believe*," "*could*," "*expect*," "*should*," "*plan*," "*intend*," "*estimate*" and "*potential*," among others. These statements appear in a number of places in this offering memorandum and include, but are not limited to, statements regarding our intent, belief or current expectations with respect to:

- the implementation of our principal operating and funding strategies and capital expenditure plans;
- our level of capitalization;
- the performance of the economies in the countries in which we operate and global economies in general;
- developments in, or changes to, the laws, regulations, tax matters and governmental policies governing or affecting our business;
- adverse legal or regulatory disputes or proceedings;
- the declaration or payment of extraordinary dividends;
- general economic conditions, government and regulatory policies and business conditions in the markets in which our group operates;
- telecommunications usage levels, including traffic and customer growth;
- competitive forces, including pricing pressures, the ability to connect to other operators' networks and the ability of our group to retain market share in the face of competition from existing and new market entrants;
- regulatory developments and changes, including the availability of spectrum, the level of tariffs, the terms of interconnection, customer access and international settlement arrangements, and the outcome of litigation related to regulation;
- the success of business, operating and financing initiatives, the level and timing of the growth and profitability of new initiatives, start-up costs associated with entering new markets, relationships with suppliers, costs of handsets and other equipment, the successful deployment of new systems and applications to support new initiatives, and local conditions;
- our ability to complete our proposed acquisitions, extract anticipated synergies or to integrate any acquired businesses in a timely and cost-effective manner;

- the availability, terms and use of capital, the impact of regulatory and competitive developments on capital outlays, the ability to achieve cost savings and realize productivity improvements, and the success of our group's investments, operations and alliances;
- technological development, including challenges in meeting customer demand for new technology and the cost of upgrading existing infrastructure;
- other factors or trends affecting our financial condition or results of operations;
- the other factors discussed under the section of this offering memorandum entitled "*Risk Factors*"; and
- other statements contained in this offering memorandum regarding matters that are not historical facts.

This list of important factors is not exhaustive. You should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environments in which we operate. Forward-looking statements are only our current expectations and are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements as a result of various factors, including, but not limited to, those identified under the section of this offering memorandum entitled "*Risk Factors*." These risks and uncertainties include factors relating to the markets in which we operate and global economies, securities and foreign exchange markets, which exhibit volatility and can be adversely affected by developments in other countries, factors relating to the telecommunications industry in the markets in which we operate and changes in its regulatory environment and factors relating to the competitive markets in which we operate. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Presentation of financial and other information

Financial information

We have included in this offering memorandum the Millicom Group's audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 and the Millicom Group's unaudited consolidated financial statements as of and for the six-month period ended June 30, 2017. The audited consolidated financial statements included herein and the accompanying notes thereto have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. We end our fiscal year on December 31. References to fiscal 2014, fiscal 2015 and fiscal 2016 refer to results as of and for the years ended December 31, 2014, 2015 and 2016, respectively, and references to interim 2016 and interim 2017 refer to results as of and for the six-month periods ended June 30, 2016 and 2017, respectively.

Certain comparative financial information included in this offering memorandum has been re-presented in the comparative information presentation in our consolidated financial statements, as indicated in the notes to the financial information tables in "*Historical Financial Information and Operating Information—Historical Financial Information*." Specifically, the following information has been re-presented:

- The fiscal 2014 income statement data provided in this offering memorandum has been re-presented to align the income statement captions from cost of sales to operating profit to those presented in our fiscal 2015 income statement, and the fiscal 2014 statement of financial position data provided in this offering memorandum has also been re-presented to reflect the completion of the purchase accounting for the UNE Transaction, in each case as compared to the presentations contained in the fiscal 2014 consolidated financial statements. Both presentations are shown in the form contained in the comparative information presentation of the fiscal 2015 consolidated financial statements.

- The fiscal 2015 income statement data provided in this offering memorandum has been re-presented to present our operations in the Democratic Republic of Congo ("DRC") as discontinued operations, and the fiscal 2015 statement of financial position data provided in this offering memorandum has also been re-presented to reflect the completion of the purchase accounting for the Zantel acquisition (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Acquisitions—Acquisition of Zantel*"), in each case as compared to the presentations contained in the fiscal 2015 consolidated financial statements. Both presentations are shown in the form contained in the comparative information presentation of the fiscal 2016 consolidated financial statements.

- The interim 2016 income statement data provided in this offering memorandum has been restated as a result of the completion of the fair value measurements of our investments in the Guatemala and Honduras joint ventures and re-presented to present Senegal as discontinued operations (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions—Sale of Sentel Senegal*"). It is shown in the form contained in the interim 2017 consolidated financial statements.

The fiscal 2016 income statement information in this offering memorandum has not been re-presented to show Senegal as a discontinued operation; however, solely for the purpose of presenting our consolidated income statement information for the twelve months ended June 30, 2017 (as described below), we have re-presented the fiscal 2016 income statement information to eliminate our Senegal discontinued operations, which we refer to as "Re-Presented 2016," as shown in the table in "*Management's Discussion and Analysis of*

Financial Condition and Results of Operations—Financial Information for the Twelve Months ended June 30, 2017."

We have derived income statement information for the twelve-months ended June 30, 2017, which we refer to as "Presentation LTM," by adding the Re-Presented 2016 information to the income statement information from our interim 2017 consolidated financial statements, and then subtracting the income statement information from our interim 2016 consolidated financial statements, as shown in the table in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Information for the Twelve Months ended June 30, 2017.*" The Re-Presented 2016 and Presentation LTM have been prepared for illustrative purposes only and are not necessarily representative of our results for any future period or our financial condition at any such date. These presentations have not been audited.

In making an investment decision, you must rely upon your own examination of the terms of the offering and the financial information contained in this offering memorandum. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our financial statements, are disclosed in our audited consolidated financial statements.

The accounting policies set forth in the financial statements included in this offering memorandum have been consistently applied to all periods presented.

Other financial measures

Non-IFRS alternative performance measures

This offering memorandum contains non-IFRS alternative performance measures and ratios, including earnings before interest, taxes and amortization ("EBITDA"), underlying EBITDA, EBITDA margin, Free Cash Flow, capital expenditures, operating cash flow margin, net debt and leverage ratios that are not required by, or presented in accordance with, IFRS. We present EBITDA as operating profit plus (i) depreciation and amortization, (ii) income (loss) from joint ventures, and (iii) other net operating income (expenses). For a description of how these non-IFRS alternate performance measures are defined and calculated, see "*Historical Financial Information and Operating Information—Historical Financial Information—Summary of Other Financial Information*." We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating results as reported under IFRS. These non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in our industry may calculate these measures differently and, consequently, our presentations in this offering memorandum may not be readily comparable to other companies' figures. In particular, you should not consider EBITDA, underlying EBITDA, or EBITDA margin as an alternative to operating income or income for the period (as determined in accordance with IFRS) as a measure of our operating performance, or as an alternative to cash flows from operating, investing and financing activities, as a measure of our ability to meet our cash needs or as an alternative to any other measures of performance under generally accepted accounting principles.

The term "*Consolidated EBITDA,*" as used in "*Description of the Notes*" summarizing certain provisions of the Indenture and the Notes, is calculated differently from EBITDA and underlying EBITDA presented in this offering memorandum and is not a measurement of financial performance or liquidity under IFRS.

Alternative presentation of operational performance

For the purpose of presenting our operational data, we have included all of the operational data for our non-wholly owned operations in Zanzibar, Colombia, Guatemala and Honduras. Our Zanzibar and Colombia operations are fully consolidated in our financial statements and our results of operations for all periods presented. However, the Guatemala and Honduras joint ventures are not fully consolidated for fiscal 2016, interim 2016 and interim 2017 and are accounted for under the equity method of accounting in our financial statements and results of operations for those periods (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*").

For the purposes of presenting certain financial information, we present some figures in this offering memorandum as "*underlying*" figures. These underlying figures have been adjusted to present all periods on a comparable basis. The presentation of the underlying figures (i) includes for all periods presented the Guatemala and Honduras joint ventures as if they were fully consolidated and (ii) excludes as discontinued operations for all periods presented our operations in the DRC (the sale of which was completed in April 2016) and Senegal (the sale of which has not yet been completed), in each case as discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions*." Each presentation of underlying figures is accompanied by a corresponding reconciliation to the consolidated financial statement figures for the periods presented (where necessary).

These presentations are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. Our management uses these adjusted figures as supplemental performance measures and believes that they provide useful information to investors because they are indicators of the strength and performance of the Millicom Group's business operations as a whole, including its ability to fund discretionary spending, such as capital expenditures, acquisitions and other investments, as well as indicate its ability to incur and service debt. Management also believes that these presentations assist management and our investors by increasing the comparability of the Millicom Group's performance against the performance of other telecommunications companies. These presentations have been prepared for illustrative purposes only and do not represent what our consolidated results would have been had the Guatemala and Honduras joint ventures been fully consolidated or our DRC and Senegal operations sold in the periods presented, and they do not purport to project any financial results at any future date. For a reconciliation of these presentations to our consolidated financial statements for the Guatemala and Honduras joint ventures, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*."

All key performance indicators that are not derived from our consolidated financial statements and are presented in this offering memorandum (such as customer numbers and presentations related to or derived from customer numbers) for all periods presented include 100% of the operations in Guatemala and Honduras and exclude our discontinued operations in Senegal and DRC, notwithstanding the differing accounting treatment which may apply to figures contained in or derived from our consolidated financial statements. For a discussion of our discontinued operations in Senegal and DRC, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions*."

We do not present in this offering memorandum our B2B and Home operations in Nicaragua, which are immaterial to our group due to the very small scale of these operations. However, the consolidated financial information, operating data and key performance indicators presented throughout this offering memorandum do include data from our Nicaragua operations, where applicable.

Presentation of certain information on a constant currency basis

As a result of the impact of exchange rate fluctuations on our results, in our discussion of our results of operations in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," we have presented revenue changes between periods on a constant currency or "*organic*" basis to identify the underlying operational drivers impacting the change in revenue. In determining the change in constant currency terms, both the latest period's and prior period's results have been adjusted to constant exchange rates, which are defined in our 2017 budget at a disaggregated level for each of our components and key revenue lines. This detailed basis of measurement isolates the impact of currency volatility in our operations during the year. The organic growth percentage has then been calculated by utilizing the constant currency results compared to the prior period's results.

The organic presentations of information have been prepared for illustrative purposes only and may not fairly present our results of operations, and they do not purport to project any financial results at any future date. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Foreign Currency*" for more information.

Macroeconomic data

Population information, gross domestic product ("GDP") per capita and other macroeconomic and country data have been based on the U.S. Central Intelligence Agency's "*The World Factbook*."

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them and percentage calculations using these adjusted figures may not result in the same percentage values as are shown in this offering memorandum.

Currency presentation

In this offering memorandum, unless otherwise indicated, all references to "U.S. dollars," "dollars" or "$" are to the lawful currency of the United States of America; all references to "Euro" or "€" are to the lawful currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; and all references to "Swedish Krona" or "SEK" are to the lawful currency of Sweden. For a list of the functional currency names and abbreviations in the markets in which we operate, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Foreign Currency*."

Currency translation for non-U.S. dollar amounts presented in this offering memorandum

Our consolidated financial statements are presented in U.S. dollars. Unless otherwise indicated, where non-U.S. dollar denominated amounts are converted into U.S. dollar equivalents, such amounts have been converted using the exchange rates set forth in the consolidated financial statements as of and for the applicable period. Non-U.S. dollar amounts presented in our statement of financial position are translated using the exchange rates at period end, while non-U.S. dollar amounts presented in the respective income statements and statements of cash flows are translated using the average exchange rates over such period. Translations from non-U.S. dollar amounts into U.S. dollar amounts in the text of this offering memorandum are presented for convenience using the period-end Bloomberg Composite Rate on September 1, 2017. For more information and a presentation of exchange rates, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Foreign Currency*."

Definitions

Unless otherwise specified or the context requires otherwise in this offering memorandum, all references to the following defined terms have the following meanings:

- "Agents" refer collectively to the Registrar, Transfer Agent, Paying Agent and Listing Agent listed on the back cover of this offering memorandum;
- "day" or "days" refer to calendar days and all references to "business day" or "business days" means any day of the year that is not a Saturday, Sunday or a day on which banking institutions in New York, London or Luxembourg are authorized or required by law to close;
- "Central America" refers to our operations located in Costa Rica, El Salvador, Guatemala and Honduras;
- "Clearstream" refers to Clearstream Banking S.A.;
- "DTC" refers to The Depository Trust Company;
- the "EU" refers to the European Union;
- "Euroclear" refers to Euroclear Bank SA/NV;
- the "Existing Notes" refers to the Issuer's outstanding 6.625% Notes due 2021 (ISINs: US600814AL16/ XS0980363344; CUSIP: 600814AL1), the outstanding principal amount of which is $658,476,008 as of the date hereof;
- the "Indenture" refers to the indenture governing the Notes;
- the "Initial Purchasers" refers to BBVA Securities Inc., BNP Paribas, Citigroup Global Markets Limited, Goldman Sachs International, ICBC Standard Bank Plc, J.P. Morgan Securities plc, Scotia Capital (USA) Inc. and The Standard Bank of South Africa Limited;
- the "Issue Date" refers to the date on which the Notes are delivered;
- "Latin America" refers to our operations located in Bolivia, Colombia, Costa Rica, El Salvador, Guatemala, Honduras and Paraguay;
- "Luxembourg" refers to the Grand Duchy of Luxembourg;
- the "Issuer" and "MIC S.A." refer to Millicom International Cellular S.A., a public limited liability company (*société anonyme*) organized and established under the laws of Luxembourg, having its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B40630;
- the "Millicom Group" refers to MIC S.A. and its consolidated subsidiaries and its joint ventures;
- the "Redemption" refers to the Issuer's voluntary redemption of all Existing Notes that remain outstanding on October 15, 2017 pursuant to a conditional redemption notice delivered by the Issuer to the holders of the Existing Notes on or about the date of this offering memorandum;
- "South America" refers to our operations located in Bolivia, Colombia and Paraguay;
- the "Tender Offer" refers to the concurrent tender offer for the Existing Notes, as further described under "*Use of Proceeds*";
- the "Trustee" refers to Citibank, N.A., London Branch, in its capacity as trustee under the Indenture;
- "UNE" refers to UNE-EPM Telecomunicaciones S.A.;
- the "U.S." refers to the United States of America;

- "we," "us" and "our" refer to MIC S.A. and its consolidated subsidiaries, unless the context requires otherwise; and
- "Zantel" refers to Zanzibar Telecom Limited, our subsidiary in Zanzibar (a semi-autonomous region of Tanzania) that we acquired on October 22, 2015; unless otherwise indicated or separately presented, references in this offering memorandum to our Tanzania operations include Zantel from the acquisition date.

For an explanation or definition of certain other terms used in this offering memorandum, see "*Glossary*" included elsewhere in this offering memorandum.

Summary

This summary highlights information contained elsewhere in this offering memorandum. This summary may not contain all the information that may be important to you, and we urge you to read this entire offering memorandum carefully, including the "Risk Factors" and the Millicom Group's audited consolidated financial statements included elsewhere in this offering memorandum, before deciding to invest in the Notes.

Business overview

We are a leading telecommunications group operating in Latin America and Africa. Under our Tigo brand, we provide a wide range of mobile and fixed communications services, including voice and SMS, high-speed data, cable television, mobile financial services, and business solutions. For the twelve months ended June 30, 2017, our revenue (underlying) was $6,103 million and EBITDA (underlying) was $2,164 million, with an EBITDA margin (underlying) of 35.5%.

In Latin America, we provide both mobile and fixed services in 6 countries (Bolivia, Colombia, El Salvador, Guatemala, Honduras, and Paraguay) and provide only fixed services in Costa Rica. In Africa, we provide mobile services in 4 countries (Chad, Ghana, Rwanda, and Tanzania), with our Senegal operation classified as a discontinued operation following our sale announcement in February 2017.

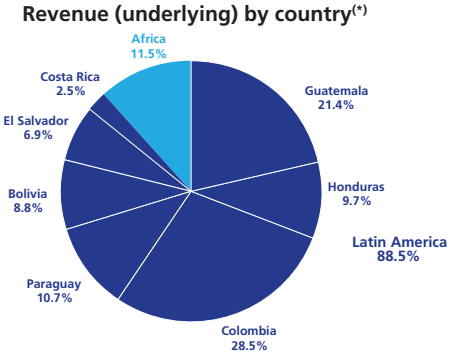
We hold either the first or second position in 8 of our 10 mobile markets and 5 of our 7 cable and broadband markets. As of June 30, 2017, we provided services to 54.6 million mobile customers (business-to-consumer ("B2C") and business-to business ("B2B") customers) and 3.2 million cable and broadband households. As of June 30, 2017, we had 21.1 million mobile data subscribers, offered 4G mobile services in 9 of our 10 mobile markets and had 5.0 million 4G mobile customers.

Our services

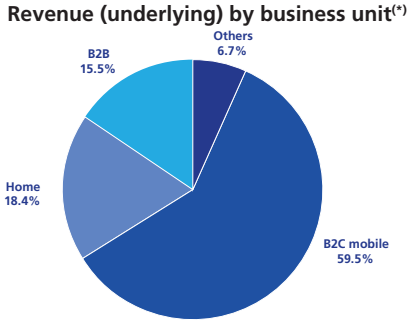
Our business is principally organized by region (Latin America and Africa) and by the following organizational business units:

- B2C mobile services: mobile voice, SMS, data and mobile financial services ("MFS");
- Home: fixed broadband, cable television and direct-to-home satellite TV services ("DTH") (we refer to our cable television and DTH services as "pay-TV"); and
- B2B services: mobile, fixed, and value-added services ("VAS") to corporate and government customers.

Revenue (underlying) by country(*)



Revenue (underlying) by business unit(*)



(*) Revenue (underlying) for the six months ended June 30, 2017.

The following table summarizes the services that we offer in our 10 mobile markets and Costa Rica:

	Latin America	Africa
B2C mobile	2G/3G/4G[1] voice, SMS, data MFS[2]	2G/3G/4G[1] voice, SMS, data MFS[2]
Home	Broadband[3] Pay-TV[4] Fixed telephone	–
B2B	Mobile voice, SMS and data Fixed line voice and high-speed data services Value-added services[5]	Mobile voice, SMS and data Fixed line voice and high-speed data services Value-added services[5]

(1) We currently offer 4G services in Bolivia (2014), Paraguay (2016), Colombia (2013), Guatemala (2015), El Salvador (2016), and Honduras (2014) in Latin America, and in Tanzania (2015), Chad (2014) and Rwanda (2015) in Africa.

(2) We currently offer MFS services in all mobile markets except Colombia.

(3) We currently provide fixed-broadband services through Hybrid Fiber Coaxial ("HFC") and copper in Colombia, LTE in Honduras and Paraguay and WiMAX in Paraguay.

(4) We currently offer pay-TV services through HFC and DTH in all of our Latin American markets and also through (i) copper in Colombia, (ii) Multichannel Multipoint Distribution Service ("MMDS") in Bolivia and (iii) Ultra High Frequency ("UHF") in Paraguay.

(5) Value-added services include cloud-based services and Information and Communication Technologies ("ICT") managed services.

B2C mobile

We provide a comprehensive set of mobile communications services, including voice, SMS, data and MFS to consumers. Mobile services to consumers remain the largest part of our business, generating 56.5% of our service revenue for the six months ended June 30, 2017 (63.2% underlying). As of June 30, 2017, we had 53.1 million B2C mobile customers across our ten mobile markets.

Data services

The mobile market has been evolving, with consumption gradually shifting from voice and SMS to data. Our ongoing deployment of 4G networks further supports this evolution to more data-centric usage, as exemplified by trends in our Latin American markets, where the proportion of service revenue coming from data increased to 21.7% in the six months ended June 30, 2017 from 18.1% in for the six months ended June 30, 2016. Including the Guatemala and Honduras joint ventures, these figures were 24.0% and 19.7%, respectively.

MFS

We have a solid track record of innovation in MFS, providing a broad range of services such as payments, money transfers, international remittances, savings, real-time loans and micro-insurance for critical needs. MFS makes sending and receiving money easier and less expensive, giving users the freedom to use their money how and when they want. As of June 30, 2017, we provided MFS to 11.8 million customers, representing 21.6% of our mobile customer base. As of June 30, 2017, 45.5% of our total MFS customers were in Tanzania (excluding Zantel), where more than one customer out of two uses our MFS services. MFS remains a growing business in our markets, which complements our product offering and increases customers' satisfaction and loyalty, reducing our customer churn.

The following table shows our estimated customer market share and market position of our mobile business (including B2C mobile and B2B mobile) as of March 31, 2017.

	Mobile		
Market	**Market share[1]**	**Market share position**	**Primary competitors**
Latin America			
Bolivia	30.1%	2 of 3	Entel, Viva
Colombia	18.3%	3 of 5	Claro, Movistar
El Salvador	35.0%	1 of 5	Claro, Movistar, Digicel
Guatemala	52.5%	1 of 3	Claro, Movistar
Honduras	57.2%	1 of 3	Claro
Paraguay	44.8%	1 of 4	Telecom Personal, Claro
Africa			
Chad	55.4%	1 of 3	Airtel
Ghana	14.2%	3 of 7[2]	MTN, Vodafone, Airtel
Rwanda	35.3%	2 of 3	MTN, Airtel
Tanzania (including Zantel)	29.7%	2 of 7	Vodacom, Airtel

(1) Market share calculations are based on data provided by TeleGeography as of March 31, 2017.

(2) Millicom Ghana's market share position regularly fluctuates between second and third position. We have agreed to merge our operations with Airtel (as discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions—Ghana Combination*"). Airtel's market share was 10.6% as of March 31, 2017.

Home

We provide Home services (broadband, pay-TV and fixed telephone) to residential customers in our Latin American markets. In the six months ended June 30, 2017, our Home services generated 29.5% of our Latin American service revenue and 24.4% of our total service revenue (including the Guatemala and Honduras joint ventures, these figures were 22.1% and 19.4%, respectively). We provide our Home services mainly over our high-speed HFC network, but we also offer pay-TV services to rural areas via our DTH platform and broadband services using WiMAX and copper technology in some markets. Although most of our customers currently receive broadband speeds of less than 10 Mbps, the advanced HFC networks we are rolling out in our Home markets allows us to offer speeds of up to 150 Mbps on our current infrastructure, which gives us scope to raise our customers' broadband speeds over time. Our HFC network infrastructure will allow us to offer increasing faster broadband speeds over time of up to 600 Mbps as we retire analog channels. We are also evaluating the introduction of docsis 3.1, which could enable even higher levels of throughput on our HFC networks. As of June 30, 2017, we had 3.2 million connected homes, of which 2.2 million were connected to our HFC network, and 5.8 million RGUs.

The following table shows our estimated market share, market share position and primary competitors of our broadband business as of March 31, 2017.

	Broadband		
Market	**Market share[1]**	**Market share position[1]**	**Primary competitors**
Bolivia	–	–	Entel[2]
Colombia	20.8%	2 of 4	Claro, Movistar, ETB
Costa Rica	22.0%	2 of 8	Kolbi, Cabletica, TeleCable
El Salvador	27.2%	2 of 3	Claro, Salnet
Guatemala	13.0%	2 of 3	Claro, IBW
Honduras	16.1%	3 of 3	Claro, Hondutel
Paraguay	69.4%	1 of 3	Copaco, Telecom Personal

(1) Market share calculations are based on data provided by TeleGeography as of March 31, 2017. Market share and market position are adjusted to remove smaller competitors.

(2) Share information not available due to highly-fragmented nature of the market.

The following table shows our estimated market share, market share position and primary competitors of our pay-TV business as of December 31, 2016.

	Pay-TV		
Market	Market share(*)	Market share position(*)	Primary competitors
Bolivia	25.7%	1 of 5	Entel, Comteco, Cotas, Cotel
Colombia	20.2%	2 of 4	Claro, Movistar, DirecTV
Costa Rica	30.5%	1 of 4	Cabletica, Claro, Sky, Telecable
El Salvador	61.2%	1 of 2	Claro
Guatemala	33.2%	2 of 3	Claro, Qualy
Honduras	35.2%	2 of 5	Cable Color, Claro, Cable Suta, Televicab
Paraguay	50.1%	1 of 3	Claro, Personal

(*) Market share calculations are based on data provided by Dataxis as of December 31, 2016. Market share and market share position are adjusted to remove smaller competitors.

B2B

We provide mobile and fixed services, including voice telephone services, data services, and VAS, to large, small and medium businesses and governmental entities in all our markets.

B2B represents a significant growth opportunity in several of our operations in Latin America and Africa. We believe B2B services are under-represented in our current revenue mix given our overall mobile market share, strong market position and advanced networks. The proportion of revenue we generate from B2B is commensurate with the density of our fixed infrastructure, and we expect that the ongoing expansion of our HFC networks in Latin America will help to make us more competitive and increase our market share in the B2B market. In addition, as we expand our fixed networks throughout our markets, we can better compete for large enterprise and government contracts that typically require a national presence, and we will be better placed to offer fixed, mobile and other value-added services, such as cloud-based services and data center capacity.

In the six-months ended June 30, 2017, our B2B services generated 17.8% of our total service revenue (16.5% including the Guatemala and Honduras joint ventures). In Colombia, where we have a significantly more extensive fixed network than in our other markets and where the economic development is more advanced than our other markets, B2B services represented 62.4% of our total B2B service revenue and 11.1% of our total service revenue for the six months ended June 30, 2017 (including the Guatemala and Honduras joint ventures, these figures were 47.1% and 7.8%, respectively).

We are also expanding our product portfolio to deliver more value-added services and business solutions, such as cloud-based services and ICT managed services. In fiscal 2016, we inaugurated two new data centers in Paraguay and Bolivia that will allow us to better serve small and midsize businesses ("SMB") and large enterprise customers that require robust infrastructure and redundancy to achieve their own operational efficiency goals and meet business continuity needs. We have also established partnerships, such as our partnership with Jasper (Cisco), that we believe can open new possibilities in machine-to-machine ("M2M") and Internet of Things ("IoT"), such as smart cities, telematics, smart metering, and smart vending machines.

Our strengths

We operate in markets with attractive fundamentals and telecommunications sector dynamics

We operate in high-growth markets that benefit from relatively young and growing populations with steadily increasing disposable incomes and purchasing power.

- **Mobile**: Our core mobile business remains strong despite changing consumer behavior, following patterns observed recently in more mature markets. Our revenue from data

continues to grow rapidly, helping to offset the erosion in voice and SMS revenue. The deployment and expansion of our 4G networks and the proliferation of affordable 4G-enabled smartphones is driving rapid growth of our mobile data revenues, which represented 40.4% of our total mobile revenue (B2C mobile and B2B mobile) in the six months ended June 30, 2017, compared to 32.1% in the six months ended June 30, 2016 (including the Guatemala and Honduras joint ventures, these figures were 39.7% and 31.7%, respectively). Penetration of traditional mobile voice services is relatively high in our markets, but data penetration (measured as the percentage of our mobile customers also using our data services) is much lower, at 38.6% on average as of June 30, 2017, an increase from 32.5% as of June 30, 2016. Our customers in our Latin American markets have an average smartphone penetration rate of 46.8% as of June 30, 2017, compared to average smartphone penetration rates of 46.8%, 68.7% and 78.6%, respectively, in Chile, Brazil and the U.S., according to GSMA Intelligence as of December 31, 2016.

- **Home**: The markets in which we offer Home services are characterized by youthful populations and rapid household formation, declining poverty rates, and a growing middle class. We believe that these socio-demographic trends improve affordability and drive demand for our Home services, with high-speed broadband increasingly becoming the anchor product. As discussed under "*Our Markets and Our Industry*," broadband penetration rates are low in our Latin American markets, ranging from 11.1% in Bolivia to 48.3% in Colombia as of March 31, 2017, according to TeleGeography. These penetration rates compare to penetration rates of 37.6% in Brazil and 60.9% in Chile as of December 31, 2016, according to Ovum.

We are a leader in most of our markets

We have substantial market shares in most countries in which we operate. As shown above under "*—Our Services*," we are either the number one or number two mobile operator in most of our markets, and we also have market leading shares in broadband and pay-TV. Our strong market position provides us with a competitive advantage stemming from economies of scale, including deploying and managing our telecom network, selling and marketing, and back office functions.

Our revenue streams are highly diversified by country, service and customers

We provide a wide range of telecommunications services to millions of customers across 7 countries in Latin America and 4 countries in Africa. Our group's financial performance is not dependent on the results of any individual country, and the macroeconomic trends in the countries where we operate tend to exhibit low correlation with each other. In the six months ended June 30, 2017, no single country generated more than 29% of our revenue (underlying). South America accounted for 48% of revenue (underlying), Central America 41% of revenue (underlying) and Africa the remainder of revenue (underlying), reducing our exposure to foreign exchange fluctuations since all our operations have different local currencies which present low correlations between themselves.

We have a highly valuable brand, Tigo, around which we have created a strong brand identity

We benefit from a high level of Tigo brand awareness in our markets, which we regularly monitor through brand trackers and other customer surveys. We believe that our brand is among the strongest in our markets and compares favorably against our competitors. Strong brand recognition is an important factor allowing us to up-sell and cross-sell our services and to introduce new services that require a strong level of trust from consumers, such as MFS.

We have invested extensively in our modern fixed and mobile high speed data networks and continue to do so

We have a substantial 4G mobile network and advanced HFC network base in which we continue to invest. We have licenses and a network to offer 4G services in 9 of our 10 mobile markets, and

we continue to extend coverage of our 4G network. As of June 30, 2017, our 4G network population coverage ranged from 9% in Chad to 61% in Guatemala. We are expanding the footprint of our HFC networks and connecting homes and businesses to our network. We added 1.2 million new HFC homes passed during the twelve-month period ended June 30, 2017 throughout Latin America, which increased our total HFC homes passed to 7.9 million as of June 30, 2017. Our ambition is to reach a footprint of 15 million homes passed. Our rapidly expanding high-speed data networks are designed to meet our customers' existing and future needs, whether at home or on the move.

Our convergent capabilities enhance our strong market positions in Latin America

As we expand the size of our HFC network, our ability to offer both fixed and mobile services provides us with another way to differentiate ourselves from the competition in most of our markets. Convergence also allows us to leverage our existing tangible and intangible assets, such as our network, our brand, and our local management talent and market knowledge, to generate new revenue streams from existing customers, attract new customers and reduce customer churn.

We provide innovative digital lifestyle services to drive data adoption and usage on our networks

We have created strategic partnerships with a number of global and local digital players to provide relevant content for our customers, including sports, movies and music. We rely on innovation to drive mobile data adoption and usage in the price-sensitive and predominantly-prepaid markets in which we operate. For example, our "All you can App" content-based model for data consumption provides our prepaid customers with unrestricted, time-based, access to their mobile applications. We are also rapidly converging and digitizing mobile data channels to provide a seamless user experience across our digital and fixed platforms. For example, during the month of December 2016, we had 3.3 million active customers using our digital channels, including Tigo Shop (our product e-store) and Mi Tigo (our self-care solution).

We are committed to Corporate Responsibility, doing business the right way and driving positive change in the societies where we operate

Our Corporate Responsibility program, which is further discussed under "*Our Business—Corporate Responsibility*," directly addresses the wider impacts our business operations have in our communities. We focus on applying our technological expertise to address gaps in development in the societies where we operate. We believe that our commitment to Corporate Responsibility differentiates us in the markets in which we compete, reinforces our positive brand image, and helps make us an employer of choice in the region. In May 2017, we placed among the top 20 multinational employers of choice in Latin America, and the only telecommunications company, in the 2017 Great Place to Work awards.

Our management team has significant emerging market and industry expertise, and a strong track record of performance

Throughout our 25-year history, we have focused exclusively on providing telecommunications services in emerging market countries. In more than half of our markets, our presence dates back more than twenty years, providing us with a significant pool of local management experience and talent.

Since our CEO and CFO joined us in April 2015 and June 2014, respectively, we have sharpened our focus on free cash flow generation and the deployment of high-speed data networks, primarily in Latin America, where we generate our highest returns on capital employed. Through 'Project Heat', the efficiency program that we launched in 2015, we have been transforming our business towards a leaner model through cost control and efficiency, as discussed under

"*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Millicom Group's Business—'Project Heat*'." Our business transformation has supported our financial performance, despite the adverse impact of declining voice revenue in core mobile business and the cost of deploying 4G and of accelerating our HFC build out.

As part of 'Project Heat', we have also undertaken a review and transformation of our information technology systems and solutions, which we believe is one of the key factors that have allowed us to lower our capital expenditure (underlying) by 20% from $1,282 million in fiscal 2015 to $1,020 million for the twelve months ended June 30, 2017. Partially as a result of 'Project Heat', Free Cash Flow (underlying) increased by 11% from $457 million in fiscal 2015 to $508 million for the twelve months ended June 30, 2017 and EBITDA margin (underlying) improved by 1.6 bps from 33.9% in fiscal 2015 to 35.5% for the twelve months ended June 30, 2017. See "*Historical Financial Information and Operating Information—Historical Financial Information—Summary of Other Financial Information*."

Our senior management team includes the following members, among others (see "*Management—Senior Management and Employees*"):

- Mauricio Ramos, our Chief Executive Officer, joined us from Liberty Global, where he was president of Liberty's Latin American division since 2006 after holding several other leadership roles. Mauricio is also Chairman of TEPAL, the Latin American Association of Cable Broadband Operators, and is a member of the board of directors of the GSMA and Charter Communications.
- Tim Pennington, our Chief Financial Officer, has over 20 years of experience in leadership positions in the telecommunications and banking industries, having served as CFO for 13 years at Cable and Wireless and Hutchison Telecommunications before joining us.

Our strategy

Given the shift to an increasingly data-centric market and the growing importance of customer base management, we are conducting a two-fold reconfiguration of our business: on revenue and on costs. First, on revenue, we are accelerating the migration from mobile voice and SMS to 4G data, and we are expanding our HFC network to support our growing Home and B2B businesses. Second, on costs, we are focusing on efficiency and transforming our business using digital services as enablers to capture distribution and operational efficiencies, increase operational leverage, drive cash flow growth and deliver a superior customer experience.

Our strategy has several key pillars:

Monetizing mobile data

Our mobile networks continue to experience rapid data traffic growth, and we are very focused on making sure that incremental traffic translates into additional revenues. Our mobile data monetization strategy is built around a number of key drivers:

- **4G/LTE network expansion**: We are expanding the coverage of our 4G networks, as these enable us to deliver high volumes of data at faster speeds in a more cost-efficient manner than on 3G networks. In Latin America, 4G represented 40.4% of all data traffic as of June 30, 2017, and we increased the number of 4G customers from 1.9 million as of June 30, 2016, to 4.7 million as of June 30, 2017.
- **Smartphone adoption**: We are driving the adoption of data-capable smartphone devices, particularly 4G/LTE, with a strong device portfolio and postpaid plan strategy, which enables our customers to use data services on the move. As of June 30, 2017, our smartphone user base in Latin America was 21.7 million customers, or 66.0% of our total Latin American customer base.

- **Stimulating data usage**: We are creating compelling data-centric products and services to encourage our consumers to consume more data, while maintaining price discipline and sustaining our mobile data margins. For example, we have introduced digital innovations with access to specific applications charged based on time-usage rather than data consumption. As of June 30, 2017, we had 14.2 million data subscribers in Latin America and 6.9 million in Africa, representing a penetration rate of 43.0% and 31.9%, respectively, of our total customer base.

Accelerating cable growth

We are moving quickly to meet the growing demand for high-speed data from residential and business customers alike in our Latin American markets. We are addressing this via three priorities:

- **Accelerate our HFC network expansion**: We are accelerating the roll-out of our high-speed HFC fixed network, we are complementing our organic build out with small targeted acquisitions. During fiscal 2016, we expanded our HFC network to pass an additional 777,000 homes. However, during the twelve months ending June 30, 2017, we added 1.2 million homes-passed to our HFC network. As of June 30, 2017, our HFC network accounted for 7.9 million out of our total 8.6 million homes passed. We continue to upgrade our remaining networks (comprised mostly of copper) to HFC.
- **Increase our commercial efforts to fill the HFC network**: As we expand our HFC network, we also deploy commercial resources necessary to begin monetizing our investment. Specifically, the HFC network allows us to sell additional services to existing customers in order to drive ARPU growth. The bundling ratio on our HFC network increased to 1.80 RGUs per household as of June 30, 2017 from 1.75 as of June 30, 2016. Over the past year, ARPU per home connected increased by 4.1% year-on-year in local currency terms to $27.95 as of June 30, 2017.
- **Product innovation**: We drive customer adoption onto our network by expanding our range of digital services and aggregating third-party content, including exclusive local content, enabling us to differentiate our offerings from others in the market. For example, we have agreements with local soccer teams, leagues and sports channels in Bolivia, Colombia and Paraguay to air matches exclusively on our pay-TV channels. We have also recently agreed a partnership with Sony to provide Crackle, Sony's Over-The-Top ("OTT") content service, in Colombia, Costa Rica, Guatemala and Honduras.

Capitalizing on convergence opportunities

In all of our Latin American markets, we are one of the few existing mobile players with the strategic intent and necessary resources to build a high-speed broadband network. As we expand our HFC networks, our ability to offer convergent services is enhanced, and we are investing to deploy IT solutions that allow us to efficiently market and support convergent solutions for our customers. We expect that convergence will help differentiate us in the marketplace and will increase customer satisfaction and loyalty, thereby improving customer churn and costs. Our focus on convergence also reflects our expectation that future network deployments, such as 5G, will require significant fiber network capacity and capillarity, as well as the spectrum, radio, and other components of today's mobile networks. In essence, we expect future networks are likely to be convergent by nature.

Expanding our addressable market in B2B

The expansion of our HFC network is creating new opportunities for us to target B2B customers by offering them a more complete suite of communications and data services. Convergence

usually occurs earlier in the SMB segment, which are typically price-sensitive customers that expect high service levels. Our strategy is to selectively evolve our portfolio into ICT managed services to avoid excessive fragmentation and operational risk, while building the Tigo brand and differentiating through our service model and frontline execution. We believe that the SMB segment represents a particularly attractive opportunity for growth, as SMBs digitize their business and operations, using digital communications and implement cloud and data center solutions in line with what we see in more developed markets in Latin America.

Optimizing capital expenditure and operational expenditure to generate Free Cash Flow

In recent years, we have reduced cost and improved capital efficiency by implementing managed services and network sharing agreements. Through 'Project Heat', we have sought to simplify our business by reducing products, vendors, processes and systems, and by standardizing our architecture and technology choices. Moreover, we are using advanced analytics and big data to support our investment decisions. For example, we decommissioned 400 mobile radio sites during the twelve months ended June 30, 2017, thereby lowering our maintenance costs without sacrificing network quality.

In the context of an increased focus on customer centricity and customer based management, operational excellence and frontline execution become more important than ever to 'delight' our customers in all their interactions with us, while not leaving money on the table through 'leakage' (sales-to-installation cycle, retention, downgrade/upgrade management, collections and revenue assurance, all become more relevant). We aim to continue to drive our existing efficiency agenda while further expanding it to new categories and processes in a continuous improvement effort.

We are focused on digital innovation in products, operations and distribution to enhance our performance and efficiency

We are focusing our digital innovation on products and customer-facing developments that drive user adoption of high-speed data services: data monetization, video consumption (Tigo Play and TiVo), a superior digital user experience (Tigo Shop App for prepaid, Mi Tigo App for postpaid) and MFS. We intend to focus on penetrating these digital products among our digital user base.

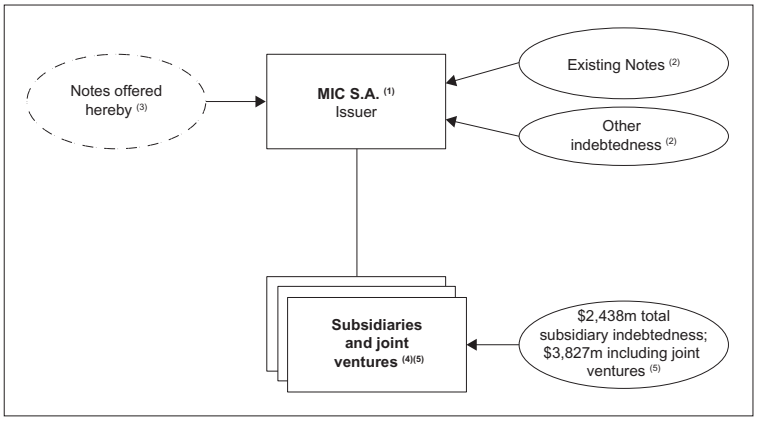
We are evolving our strong commercial distribution network to operate digitally which we believe will improve both customer experience and operational efficiency. To enable a seamless and integrated experience across sales and care touchpoints, we are implementing a business transformation that links user experience, digital innovation, business processes and our back-end ICT systems.

Doubling down on customer centricity and customer base management

We are adopting and deploying a net promoter score ("NPS") program, which we believe will strengthen our customer centric culture. The NPS is an index that measures our customers' willingness to recommend our products and services to others and serves as a proxy for customer satisfaction and loyalty. In addition, as value-creation potential shifts from subscriber acquisition to retention, upsell, and cross-sell, we are sharpening our focus on customer base management to increase the sophistication with which we manage our base, including the adoption of analytics-based segmentation and a shift from above the line to below the line sales and marketing. We are investing to strengthen our capabilities and solidify this new cultural mindset among all of our teams.

Simplified Millicom Group structure

The following is a simplified structure chart showing the Millicom Group's corporate structure. For more information on our ownership interests in our subsidiaries, see "*Our Business*" and "*Description of Other Indebtedness*."



(1) The Issuer, Millicom International Cellular S.A., is 38% owned by Kinnevik AB. The Issuer's shares are listed in the form of Swedish depository receipts on the Nasdaq Stockholm stock exchange. For more information on the Issuer's shareholding, see "*Major Shareholders and Related Party Transactions*."

(2) The Issuer had $1,772 million in total direct indebtedness as of June 30, 2017, comprising the amounts outstanding under the SEK 2 billion (approximately $251 million) senior notes due 2019 (the "SEK Bonds"), the $800 million 6.625% senior notes due 2021 (the "6.625% Notes"), the $500 million 6.0% senior notes due 2025 (the "6.0% Notes") and a $50 million, three-year term loan entered into in July 2016 (the "MIC S.A. Term Loan"). As of June 30, 2017, the Issuer also had $64 million liability of carrying value of foreign currency hedges on the SEK Bonds. The Issuer also entered into a $600 million revolving credit agreement in January 2017 (the "Revolving Credit Facility"), which remains undrawn as of the date of this offering memorandum. See "*Capitalization*" and "*Description of Other Indebtedness*" for a description of these debt and hedging instruments.

(3) The Notes will be general senior obligations of the Issuer. The Notes will not be guaranteed by any of the Issuer's subsidiaries.

(4) Not all of our subsidiaries and joint ventures are wholly-owned: (a) we have a 55% and 66.7% equity interest in the Guatemala and Honduras joint ventures, respectively, which are not consolidated into our results of operations for fiscal 2015 and 2016 and the six months ended June 30, 2017, as further discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*"; (b) we own 50% plus one voting share of our Colombian operations, UNE, and we have effective control over management and the company's board of directors, so UNE's results are fully consolidated into our results of operations; and (c) we have an 85% ownership interest in our Zanzibar subsidiary, Zantel, which is fully consolidated into our results of operations.

(5) As of June 30, 2017, the Issuer's subsidiaries, none of which will guarantee the Notes, had $2,438 million of total indebtedness ($3,827 million including the Guatemala and Honduras joint ventures) and represented 25.1% of the Millicom Group's total assets (32.9% including the Guatemala and Honduras joint ventures) and they generated all of the Millicom Group's EBITDA (underlying) for the twelve months ended June 30, 2017. See "*Risk Factors—Risks Relating to the Notes—The Notes will be structurally subordinated to all indebtedness of the Millicom Group's subsidiaries and will be effectively subordinated to any of the Issuer's existing and future obligations that are secured by assets or property that do not secure the Notes*."

The offering

The following summary is provided solely for your convenience. This summary is not intended to be complete. You should read the full text and more specific details contained elsewhere in this offering memorandum. For a more detailed description of the Notes, see "Description of the Notes."

Issuer	Millicom International Cellular S.A.
Issue Date	September 20, 2017.
Notes	$500,000,000 million aggregate principal amount of 5.125% Senior Notes due 2028.
Issue Price	100.000% of the principal amount.
Maturity Date	January 15, 2028.
Interest Payment Dates	January 15 and July 15 beginning January 15, 2018.
Interest	The Notes will bear interest from September 20, 2017 at the annual rate of 5.125%, payable semiannually in arrears on each interest payment date.
Additional Amounts	Any and all payments in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes imposed, levied, collected, withheld or assessed by the relevant taxing jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay, subject to certain exceptions, such additional amounts necessary so that the net amount received after such withholding or deduction is the same as would have been received if no such withholding or deduction had been required. See "*Description of the Notes—Additional Amounts*."
Use of Proceeds	The net proceeds of the offering will be used to finance the purchase of Existing Notes in the Tender Offer and the Redemption, to fund capital expenditures and for general corporate purposes. See "*Use of Proceeds*."
Ranking	The Notes will: • be the general obligations of the Issuer; • rank equally in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes; • be senior in right of payment to any of the Issuer's existing and future debt that is subordinated in right of payment to the Notes; • be effectively subordinated to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of property and assets securing such obligations; and • be structurally subordinated to all existing and future obligations of the Issuer's subsidiaries. See "*Risk Factors—Risks relating to the Notes—The Notes will be structurally subordinated to all indebtedness of the Millicom*

	Group's subsidiaries and will be effectively subordinated to any of the Issuer's existing and future obligations that are secured by assets or property that do not secure the Notes."
Original Issue Discount	The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. If the Notes are issued with at least a statutorily defined *de minimis* amount of OID, a U.S. holder of a Note will have to include such OID in gross income as it accrues (prior to the receipt of cash to which such income is attributable), based on a constant yield method and regardless of the U.S. holder's regular method of accounting for U.S. federal income tax purposes. See "*Tax Considerations—Certain U.S. Federal Income Tax Consequences for U.S. Holders*."
Optional Redemption . .	Prior to September 15, 2022, during each 12-month period commencing on the Issue Date the Issuer may redeem up to 10% of the original aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date. Prior to September 15, 2022, the Issuer may redeem all or a portion of the Notes by paying the relevant "*make whole*" premium described in this offering memorandum and accrued and unpaid interest and additional amounts, if any, to the redemption date. On or after September 15, 2022, the Issuer may redeem some or all of the Notes at any time at specified redemption prices plus accrued and unpaid interest and additional amounts, if any, to the redemption date as set forth under "*Description of the Notes—Optional Redemption*." Prior to September 15, 2020, the Issuer may redeem up to 40% of the Notes with the proceeds of one or more equity offerings, including certain equity offerings of our subsidiaries, at a redemption price equal to 105.125% the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date if at least 50% of the originally issued aggregate principal amount of the Notes remains outstanding. Prior to September 15, 2020, the Issuer may redeem up to 40% of the Notes with the proceeds from the sale of one or more of the assets specified under "*Description of the Notes—Optional Redemption—Optional redemption prior to September 15, 2020, upon Specified Subsidiary Sale*" at a redemption price equal to 105.125% the principal amount of the Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.
Change of Control	Upon the occurrence of certain events constituting a change of control and an accompanying ratings decline, as described in the Indenture, the Issuer may be required to offer to repurchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof on the date of purchase plus accrued and *unpaid interest and additional amounts, if any, to the date of purchase. See "Description of the Notes—Change of Control*."

Tax Redemption	In the event of certain developments affecting taxation, the Issuer may redeem the Notes in whole, but not in part, at any time upon required notice at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Optional Redemption—Redemption upon Changes in Withholding Taxes*."
Negative Covenants	The Notes will be issued under an Indenture which will, among other things, limit the ability of the Issuer to: • incur or guarantee additional indebtedness; • make certain asset sales; • create or permit to exist certain liens; and • consolidate, merge or sell all or substantially all of our assets. All of these limitations will be subject to a number of important qualifications and exceptions. See "*Description of the Notes—Certain Covenants*."
Book Entry; Form and Denominations	The Notes will be represented on issue by one or more Global Notes which will be delivered through The Depository Trust Company, Euroclear and Clearstream. Interests in the Global Notes will be exchangeable for the relevant definitive Notes in only certain limited circumstances. See "*Book-Entry, Delivery and Form*." Each Note will have a minimum denomination of $200,000 and integral multiples of $1,000 in excess thereof.
Listing	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market.
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any other national, federal, state or local securities laws and, as such, are subject to restrictions on transfer. See "*Transfer Restrictions*."
Governing Law	The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. For the avoidance of doubt, articles 84 to 94-8 of the Luxembourg law on commercial companies dated August 10, 1915 (as amended) (the "Luxembourg Companies Law") are excluded.
Trustee	Citibank, N.A., London Branch.
Listing Agent	Banque Internationale à Luxembourg S.A.
Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Deutschland AG.
Risk Factors	You should carefully consider all of the information contained in this offering memorandum prior to investing in the Notes. In particular, we urge you to carefully consider the information set forth under "*Risk Factors*" beginning on page 22 for a discussion of risks and uncertainties relating to us, our business, the industry and markets in which we operate, our shareholders, our debt and the Notes.

Historical financial information and operating information

Historical financial information

The following tables present summary selected historical financial data for the Millicom Group. The income statements for the Millicom Group set forth below for the years ended December 31, 2014, 2015 and 2016 and the statements of financial position set forth below as of December 31, 2014, 2015 and 2016 are derived from the Millicom Group's annual audited consolidated financial statements for fiscal 2014, fiscal 2015 and fiscal 2016 included elsewhere in this offering memorandum. The income statement data for the six-month periods ended June 30, 2016 and 2017 and the statement of financial position data as of June 30, 2017 are derived from the Millicom Group's 2017 unaudited interim condensed consolidated financial statements that are included elsewhere in this offering memorandum.

Our fiscal 2014, fiscal 2015 and fiscal 2016 consolidated financial statements included in this offering memorandum have been audited by Ernst & Young S.A. independent auditors (*cabinet de révision agréé*), as stated in its reports appearing herein. The 2017 unaudited interim condensed consolidated financial statements included in this offering memorandum have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein.

The Guatemala and Honduras joint ventures were fully consolidated in our financial statements for fiscal 2014 and 2015, as we had full control as a result of our governance arrangements and put and call options. The put and call options expired unexercised on December 31, 2015 and the Guatemala and Honduras operations were deconsolidated in our financial statements from that date. Although our ownership interests remain unchanged, our interests in the Guatemala and Honduras joint ventures are now accounted for under the equity method of accounting in our financial statements and results of operations for fiscal 2016, interim 2016 and interim 2017 (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*").

You should read this summary selected financial data together with "*Capitalization*," "*Selected Historical Financial Data*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and accompanying notes included in this offering memorandum. The historical results are not necessarily indicative of the Millicom Group's future results of operations or financial condition.

Summary selected consolidated income statements

	Year ended December 31,			Six months ended June 30,		Presentation
	2014[1]	2015[2][3]	2016[4]	2016[5]	2017[5]	LTM[4]
	(U.S. dollars in millions)					
Revenue	6,386	6,572	4,374	2,096	2,091	4,242
Cost of sales	(1,694)	(1,793)	(1,279)	(606)	(610)	(1,238)
Gross profit	**4,692**	**4,778**	**3,096**	**1,490**	**1,481**	**3,005**
Operating expenses	(2,599)	(2,590)	(1,781)	(839)	(829)	(1,710)
Depreciation	(920)	(1,035)	(744)	(355)	(362)	(725)
Amortization	(238)	(246)	(184)	(82)	(80)	(177)
Income from joint ventures, net	–	–	115	59	73	129
Other operating expenses	(11)	(64)	(20)	(3)	3	(12)
Operating profit	**924**	**843**	**482**	**269**	**287**	**511**
Interest expense	(426)	(425)	(394)	(181)	(207)	(417)
Interest and other financial income	22	22	22	7	10	25
Revaluation of previously held interests	2,250	–	–	–	–	–
Other non-operating (expenses) income, net	211	(624)	10	44	(9)	(43)
Income (loss) from associates, net	55	100	(49)	9	(39)	(97)
Profit (loss) before taxes from continuing operations	**3,036**	**(83)**	**71**	**149**	**42**	**(21)**
Charge for taxes	(256)	(278)	(180)	(84)	(82)	(178)
Profit (loss) for the year from continuing operations	**2,780**	**(361)**	**(109)**	**65**	**(40)**	**(199)**
Profit (loss) for the year from discontinued operations, net of tax	21	(83)	19	6	16	13
Net profit (loss) for the year	**2,801**	**(444)**	**(90)**	**71**	**(25)**	**(185)**
Attributable to:						
The owners of Millicom	2,643	(559)	(32)	77	(4)	(113)
Non-controlling interests	158	115	(58)	(6)	(20)	(72)

(1) The fiscal 2014 income statement information in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(2) The fiscal 2015 income statement information in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(3) The impact of accounting for Honduras and Guatemala under the equity method of accounting on the presentation of the fiscal 2015 consolidated income statement is shown in note A.2.2 of our fiscal 2016 consolidated financial statements.

(4) The fiscal 2016 income statement has not been re-presented; however, the consolidated income statement information for the twelve-months ended June 30, 2017 has been adjusted to show the Presentation LTM information, as shown in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Information for the Twelve Months ended June 30, 2017.*"

(5) The interim 2016 income statement information in this offering memorandum has been restated as a result of the completion of the fair value measurements of our investments in the Guatemala and Honduras joint ventures. The interim 2016 and interim 2017 income statement information in this offering memorandum also present Senegal as discontinued operations, as derived from our interim 2017 consolidated financial statements.

Summary selected consolidated statements of financial position

	December 31,			June 30,
	2014[1]	2015[2]	2016	2017
	(U.S. dollars in millions)			
Assets				
Non-current assets:				
Intangible assets, net	5,515	1,429	1,359	1,274
Property, plant and equipment, net	4,751	3,198	3,057	2,858
Investments in joint ventures	89	3,220	2,945	2,857
Investments in associates	185	376	331	300
Other non-current assets	409	289	270	245
Total non-current assets	**10,949**	**8,512**	**7,961**	**7,534**
Current assets:				
Restricted cash[3]	128	142	145	142
Cash and cash equivalents	694	769	646	721
Other current assets	1,620	960	871	856
Total current assets	**2,442**	**1,871**	**1,661**	**1,721**
Assets held for sale[4]	27	12	5	240
Total assets	**13,418**	**10,395**	**9,627**	**9,495**
Equity and Liabilities				
Non-current liabilities:				
Debt and financing	4,565	3,789	3,821	3,756
Provisions and other non-current liabilities	372	371	483	305
Deferred tax liabilities	184	50	57	57
Total non-current liabilities	**5,121**	**4,210**	**4,361**	**4,118**
Current liabilities:				
Debt and financing	358	221	80	453
Provision and other current liabilities	4,207	2,236	1,817	1,745
Total current liabilities	**4,565**	**2,457**	**1,898**	**2,198**
Liabilities directly associated with assets held for sale	2	–	–	85
Total liabilities	**9,688**	**6,667**	**6,258**	**6,402**
Equity attributable to owners	2,339	3,477	3,167	2,915
Non-controlling interests	1,391	251	201	177
Total equity	**3,730**	**3,728**	**3,368**	**3,093**
Total equity and liabilities	**13,418**	**10,395**	**9,627**	**9,495**

(1) The fiscal 2014 statement of financial position in this offering memorandum has been re-presented as discussed under "*Presentation of Financial and Other Information—Financial Information*."

(2) The fiscal 2015 statement of financial position in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(3) Restricted cash primarily represents cash that is restricted based on local regulations in each country in which we operate our MFS business.

(4) Assets held for sale represents mainly towers sold but not yet transferred to the tower companies and not part of a sale-lease-back arrangement (as of December 31, 2014, 2015 and 2016), UNE spectrum to be returned to the Colombian government (as of December 31, 2014 and 2015) and the assets and liabilities of our Senegal operations that were transferred to assets held for sale following the February 7, 2017 sale announcement (as of June 30, 2017).

Summary of other financial information

All underlying figures shown in the table below have been adjusted to present all periods on a comparable basis. The presentation of the underlying figures (i) includes for all periods presented the Guatemala and Honduras joint ventures as if they were fully consolidated and (ii) excludes as discontinued operations for all periods presented our operations in the DRC and Senegal, as discussed under *"Presentation of Financial and Other Information—Other Financial Measures—Alternative Presentation of Operational Performance*." For a reconciliation of these underlying figures to the corresponding consolidated financial statement figures, see *"—Reconciliation of the Millicom Group's Operating Profit to EBITDA"; "—Reconciliation of the Millicom Group's Operating Profit to Free Cash Flow*"; "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results*"; "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Capital Expenditures*" and "*Description of Other Indebtedness—Indebtedness by Operation*."

	Year ended December 31,			Presentation
	2014	2015	2016	LTM[1]
	(U.S. dollars in millions, except as indicated)			
Revenue	6,386	6,572	4,374	4,242
Revenue (underlying)	6,142	6,463	6,121	6,103[2]
EBITDA[3]	2,093	2,188	1,314	1,296
EBITDA (underlying)[3]	2,085	2,190	2,151	2,164
EBITDA margin[4]	32.8%	33.3%	30.0%	30.5%
EBITDA margin (underlying)[5]	33.9%	33.9%	35.1%	35.5%
Net debt[6]	4,219	3,236	3,250	3,484
Net debt (underlying)[6]	4,202	4,444	4,333	4,555
Net debt /EBITDA ratio	2.02x	1.48x	2.47x	2.69x
Net debt (underlying) / EBITDA (underlying) ratio	2.02x	2.03x	2.01x	2.11x
Free Cash Flow[7]	170	457	27	77
Free Cash Flow (underlying)[7]	170	457	386	508
Capital expenditure[8]	1,204	1,024	785	799
Capital expenditure (underlying)[8]	1,204	1,282	1,033	1,020
Capital expenditure as a percentage of revenue	18.9%	15.9%	17.9%	18.8%
Capital expenditure (underlying) as a percentage of revenue (underlying)	19.6%	19.8%	16.8%	16.7%
(EBITDA – Capital expenditure)/ EBITDA	42.5%	53.2%	40.3%	38.3%
(EBITDA – Capital expenditure)/ EBITDA (underlying)	42.3%	41.5%	52.0%	52.9%
Financial information and ratios adjusted for this offering:[9]				
As adjusted gross debt (underlying)[10]				5,446
As adjusted net debt (underlying)[11]				4,587
As adjusted net debt (underlying) / EBITDA (underlying) ratio				2.12x

(1) See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Information for the Twelve Months Ended June 30, 2017*" for information about how the Presentation LTM information for the twelve-month period ended June 30, 2017 was derived.

(2) We derive Presentation LTM for revenue (underlying) by (x) adding revenue (underlying) for fiscal 2016 (y) to revenue (underlying) for interim 2017 and (z) subtracting revenue (underlying) for interim 2016 (i.e., 6,121 million + 3,022 million – 3,039 million = 6,103 million). For a presentation of fiscal 2016 revenue (underlying), see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results—Year ended December 31, 2015 and 2016.*" For a presentation of interim 2016 and interim 2017 Revenue (underlying), see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Operating Results—Six Months Ended June 30, 2016 and 2017*."

(3) A presentation of how we derive EBITDA and EBITDA (underlying) and a reconciliation of operating profit to EBITDA and EBITDA (underlying) is included below under "*—Reconciliation of the Millicom Group's Operating Profit to EBITDA.*" EBITDA and EBITDA (underlying) should not be considered as an alternative to net profit as a measure of operating performance or

to net cash provided by operating activities as a measure of liquidity. EBITDA and EBITDA (underlying) as used herein is not the same as "*Consolidated EBITDA*" as defined in the Indenture for the purpose of the Notes. EBITDA and EBITDA (underlying) as presented may not be comparable to similarly titled measures of other companies.

(4) We define EBITDA margin as EBITDA divided by revenue. EBITDA margin is not a recognized term or measure of performance under IFRS.

(5) We define EBITDA margin (underlying) as EBITDA (underlying) divided by revenue (underlying). EBITDA margin (underlying) is not a recognized term or measure of performance under IFRS.

(6) A presentation of how we derive net debt and net debt (underlying) is included below under "*—Reconciliation of the Millicom Group's Net Debt.*"

(7) A reconciliation of operating profit to Free Cash Flow and Free Cash Flow (underlying) is included below under "*—Reconciliation of the Millicom Group's Operating Profit to Free Cash Flow.*" Free Cash Flow and Free Cash Flow (underlying) should not be considered as an alternative to net profit as a measure of operating performance or to net cash provided by operating activities as a measure of liquidity. Free Cash Flow and Free Cash Flow (underlying) as presented may not be comparable to similarly titled measures of other companies.

(8) Capital expenditure and capital expenditure (underlying) excludes spectrum and license costs. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Capital Expenditure*."

(9) The adjusted financial information and ratios presented in this table for the twelve months ended June 30, 2017 have been prepared for the purpose of showing the effect of the offering and the expected use of net proceeds as described under "*Use of Proceeds*" as if the offering had occurred on June 30, 2017, with respect to balance sheet data, and June 30, 2016, with respect to income statement data, and all 6.625% Notes were tendered and purchased in the Tender Offer on June 30, 2017, has been prepared for illustrative purposes only. This table should be read in conjunction with the consolidated financial statements and the related notes appearing elsewhere in this offering memorandum and the other information about our operations, results and indebtedness elsewhere in this offering memorandum. Because of its nature, as adjusted financial information and ratios presented address a hypothetical situation and, therefore, do not represent our actual financial position and is presented for illustrative purposes only.

(10) As adjusted gross debt (underlying) refers to our total gross indebtedness on a consolidated basis, including 100% of the Guatemala and Honduras joint ventures, after giving effect to the issuance of the Notes and the assumed purchase of all 6.625% Notes in the Tender Offer as if the offering and Tender Offer had occurred on June 30, 2017.

(11) As adjusted net debt (underlying) represents our net debt (underlying) after giving effect to the issuance of the Notes and assumed purchase of all 6.625% Notes in the Tender Offer as if the offering and the Tender Offer had occurred on June 30, 2017.

Reconciliation of the Millicom Group's operating profit to EBITDA

	Year ended December 31,				Six months ended June 30,		Presentation
	2014	2015	2016	Re-Presented 2016[1]	2016	2017	LTM[2]
	(U.S. dollars in millions)						
Operating profit	924	843	482	494[3]	269	287	511
Depreciation and amortization	1,158	1,281	928	898[4]	438	442	902
Income from joint ventures	–	–	(115)	(115)[5]	(59)	(73)	(129)
Other operating income (expenses), net	11	64	20	17[6]	3	(3)	12
EBITDA	**2,093**	**2,188**	**1,314**	**1,293**[7]	**651**	**653**	**1,296**
Guatemala	–	–	631	631	319	325	639
Honduras	–	–	227	227	107	112	231
DRC	(3)	–	–	–	–	–	–
Senegal	(5)	1	(21)	–	–	–	–
EBITDA (underlying)	**2,085**	**2,190**	**2,151**	**2,151**	**1,077**	**1,090**	**2,164**

(1) Re-Presented 2016 represents our consolidated financial results adjusted to eliminate our Senegal discontinued operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Information for the Twelve Months Ended June 30, 2017*". The adjustments to each caption are shown in the notes below.

(2) See "*Presentation of Financial and Other Information—Financial Information*" for information about how the Presentation LTM information for the twelve months ended June 30, 2017 was derived.

(3) The adjustment to operating profit from fiscal 2016 to Re-Presented 2016 is (12) million.

(4) The adjustment to depreciation and amortization from fiscal 2016 to Re-Presented 2016 is (30) million.

(5) There is no adjustment to income (loss) from joint ventures from fiscal 2016 to Re-Presented 2016.

(6) The adjustment to other operating income (expenses), net from fiscal 2016 to Re-Presented 2016 is (2) million.

(7) The adjustment to EBITDA from fiscal 2016 to Re-Presented 2016 is 21 million.

Reconciliation of the Millicom Group's operating profit to Free Cash Flow

	Year ended December 31,			Six months ended June 30,		Present-ation
	2014	2015	2016	2016	2017	LTM[1]
	(U.S. dollars in millions)					
Operating profit (excluding discontinued operations)	924	843	482	269	287	511
Operating profit (loss) from discontinued operations[2]	(3)	(53)	2	(6)	14	10[3]
Operating profit (including discontinued operations)	921	791	484	264	301	521
Depreciation and amortization (including discontinued operations)	1,158	1,321	932	456	444	920
Income (loss) from joint ventures	–	–	(115)	(59)	(73)	(129)
Loss (gain) on disposal and impairment of assets, net	15	66	19	3	(3)	13
Share-based compensation	22	19	14	7	12	19
Changes in working capital[4]	57	62	12	(57)	(93)	(24)
Interest paid	(350)	(377)	(357)	(166)	(173)	(364)
Interest received	19	23	19	7	10	22
Taxes paid	(380)	(252)	(130)	(55)	(55)	(130)
Purchase of intangible assets including licenses	(184)	(186)	(143)	(99)	(78)	(122)
Proceeds from the sale of intangible assets	7	4	6	4	–	2
Purchase of property, plant and equipment	(1,128)	(1,019)	(719)	(377)	(316)	(658)
Proceeds from the sale of property, plant and equipment	13	5	6	1	3	8
Free Cash Flow	**170**	**457**	**27**	**(71)**	**(21)**	**77**
Guatemala	–	–	268	123	152	297
Honduras	–	–	91	(8)	35	134
Free Cash Flow (underlying)	**170**	**457**	**386**	**43**	**166**	**508**

(1) See "*Presentation of Financial and Other Information—Financial Information*" for information about how the Presentation LTM information for the twelve months ended June 30, 2017 was derived.

(2) Our DRC and Senegal discontinued operations are included in the determination of Free Cash Flow in the table above. The operating profit from these discontinued operations is included in the caption 'Operating profit (loss) from discontinued operations' in our consolidated financial statements.

(3) We derive Presentation LTM for operating profit (loss) from discontinued operations by (x) adding operating profit (loss) from discontinued operations for Re-Presented 2016 to (y) operating profit (loss) from discontinued operations for interim 2017 and (z) subtracting operating profit (loss) from discontinued operations for interim 2016 (i.e., (10) million + 14 million - (6) million =10 million).

(4) Changes in working capital represents the net change in current assets and current liabilities.

Reconciliation of the Millicom Group's net debt

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(U.S. dollars in millions)			
Gross debt [1]	4,923	4,010	3,901	4,210
Cash and deposits[2]	703	774	650	726
Net debt[3]	**4,219**	**3,236**	**3,250**	**3,484**
Gross debt (underlying)[4]	4,888	5,368	5,276	5,599
Cash and deposits (underlying)[5]	686	925	943	1,044
Net debt (underlying)[6]	**4,202**	**4,444**	**4,333**	**4,555**

(1) Gross debt refers to our total debt and financing in our consolidated financial statements (without the Guatemala and Honduras joint ventures).

(2) Cash and deposits refers to our cash and cash equivalents plus term and pledged deposits. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a presentation of how we derive cash and deposits.

(3) Net debt represents gross debt less cash and deposits.

(4) Gross debt (underlying) refers to our total debt and financing in our consolidated financial statements, including 100% of the Guatemala and Honduras joint ventures and excluding our discontinued operations in DRC for fiscal 2014 and Senegal for all periods. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a presentation of how we derive gross debt (underlying).

(5) Cash and deposits (underlying) refers to our cash and cash equivalents plus term and pledged deposits on a consolidated basis, including 100% of the Guatemala and Honduras joint ventures and excluding our discontinued operations in DRC for fiscal 2014 and Senegal for all periods. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a presentation of how we derive cash and deposits (underlying).

(6) Net debt (underlying) represents total gross debt (underlying) less cash and deposits (underlying). See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*" for a presentation of how we derive net debt (underlying).

Historical operating information

The following table shows selected operational data for our operations:

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2014	2015	2016	2016	2017
	(in millions, except where noted)				
B2C mobile customers					
Latin America:					
Bolivia	3.1	3.0	3.0	2.9	3.0
Colombia	7.8	8.7	7.5	8.8	7.8
El Salvador	2.8	2.9	3.1	2.9	3.3
Guatemala	8.2	8.6	9.3	8.9	9.7
Honduras	4.4	4.6	4.7	4.6	4.7
Paraguay	3.6	3.6	3.4	3.5	3.2
Total Latin America B2C mobile customers	**29.8**	**31.4**	**30.9**	**31.5**	**31.7**
Latin America B2C mobile data subscribers	9.6	11.4	13.1	11.4	13.4
Latin America B2C 4G customers	n.a.	0.9	3.4	1.9	4.7
Africa:					
Chad	2.7	3.0	3.1	3.1	3.2
Ghana	3.8	4.0	3.9	3.9	4.0
Rwanda	2.5	2.7	2.9	2.7	2.9
Tanzania (including Zantel)	8.2	11.8	11.7	11.9	11.4
Total Africa B2C mobile customers	**17.2**	**21.5**	**21.5**	**21.6**	**21.4**
Total B2C mobile customers	**47.0**	**53.0**	**52.4**	**52.3**	**53.1**
B2C mobile ARPU (in U.S. dollars):					
Latin America	$ 8.76	$ 8.37	$ 7.87	$ 7.87	$ 7.56
Africa	$ 3.66	$ 2.64	$ 2.66	$ 2.62	$ 2.51
Total B2C mobile ARPU	**$ 6.47**	**$ 6.14**	**$ 5.74**	**$ 5.73**	**$ 5.51**
Homes					
Homes passed:					
HFC homes passed	5.7	6.4	7.2	6.7	7.9
Non-HFC homes passed	1.4	1.2	0.9	1.1	0.7
Total homes passed	**7.1**	**7.6**	**8.1**	**7.8**	**8.6**
Homes connected:					
Bolivia	0.1	0.1	0.1	0.1	0.2
Colombia	1.8	1.7	1.6	1.7	1.6
Costa Rica	0.2	0.2	0.3	0.2	0.3
El Salvador	0.3	0.3	0.3	0.3	0.3
Guatemala	0.2	0.3	0.3	0.3	0.3
Honduras	0.1	0.1	0.1	0.1	0.1
Paraguay	0.3	0.3	0.3	0.3	0.3
Total homes connected	**2.9**	**3.0**	**3.1**	**3.0**	**3.2**
HFC homes connected	1.8	1.9	2.1	2.0	2.2
HFC ratio[1]	31.6%	29.7%	29.2%	29.9%	27.8%
HFC bundling ratio[2]	1.57	1.69	1.78	1.75	1.80
Home ARPU (in U.S. dollars):	$ 21.76	$ 25.23	$ 26.86	$ 26.99	$ 27.95
Other KPIs					
Mobile data users	14.5	17.5	20.7	18.3	21.9
MFS customers:					
Latin America	3.4	3.7	3.7	3.2	3.7
Africa	5.5	6.7	7.8	7.2	8.1
Total MFS customers	**8.9**	**10.3**	**11.5**	**10.4**	**11.8**

(1) HFC ratio is the percentage of HFC homes connected per HFC homes passed, expressed as a percentage.

(2) HFC bundling ratio represents the number of RGUs per household.

Risk factors

In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect the business, financial condition and results of operations of the Millicom Group. If any of the possible events described below were to occur, the business, financial condition and results of operations of the Millicom Group could be materially and adversely affected. If that happens, the Issuer may not be able to pay interest or principal on the Notes when due, and you could lose all or part of your investment.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this offering memorandum.

Risks relating to our business and the telecommunications and media industries

We face intense competition from other telecommunications and cable and broadband providers.

The markets in which we operate are competitive in nature, and we expect that competition will continue to remain high. According to TeleGeography, our main mobile competitors are America Móvil (Claro), Bharti (Airtel), Vodafone, Orange, Mobile Telecommunication Networks (MTN) and Telefonica (Movistar), as well as smaller mobile virtual network operators ("MVNOs"); our main cable and broadband competitors are America Móvil (Claro) and smaller, local operators, as well as providers of satellite television. Many of our competitors are state-run entities. Most of our mobile competitors have substantially greater resources than we do in terms of access to capital, and in some of our markets, our mobile competitors may have greater area coverage and fewer regulatory burdens than we do. Within our markets, mobile telecommunications operators compete for customers principally on the basis of price, services offered, advertising and brand image, quality and reliability of service and area coverage. Price competition is especially significant on mobile services, which represents more than half of our total revenue (57.3% of our revenue in fiscal 2016). Mobile voice and SMS are largely commoditized services, as the ability to differentiate these services among operators is limited and penetration is high. Competition has resulted in pricing pressure, reduced margins and profitability, increased customer churn, and in some markets, the loss of revenue and market share.

Our markets are also competitive in the following ways:

- There may be more mobile operators than the market is able to sustain, and additional licenses may be awarded in already competitive markets. Regulators may also encourage new entrants by offering them favorable conditions, such as holding spectrum auctions in which only new entrants can compete.
- If new competitors enter into our markets or existing competitors offer more competitive by priced products or services, such as eliminating connection fees, subsidizing handsets, modems, wireless routers or set-top boxes or offering content, channels or applications that we do not offer, our customers may move to another operator. Most of our mobile customers are prepaid, which allows them to switch operators at any time without monetary penalty, and some of our cable operator competitors incentivize customers to accept longer contracts, making it difficult to subsequently switch operators.
- Mobile number portability in our markets removes a disincentive to changing providers and increases completion and churn. As devices with eSIMs are introduced in our markets, allowing customers to change providers without changing their SIM cards, churn and pricing competition among providers likely will increase, as well.

- The emergence of new entrants with Voice over Internet Protocol ("VoIP") offerings for both voice and instant messaging, and the convergence of social media and search products or other OTT content services further increases competitive risks, as does MVNOs and resellers in Latin America.

- Our pay-TV services compete with other satellite services that may offer a greater range of channels to a larger audience, reaching a wider area distribution (especially in rural areas) for a lower price than we charge for our pay-TV services. We also compete with satellite distribution of free-to-air television programming, which viewers can receive by purchasing a satellite dish and a set-top box without any physical cabling.

If we are unable to compete effectively and match or mitigate our competitors' strategies, or aggressive competitive behavior by our competitors, in pricing our services or acquiring new customers, we could suffer short-term adverse revenue impacts or higher costs for customer retention, which could have a material adverse effect on our business, financial condition and results of operations.

ARPU sharing is also common in many of the mobile markets in which we operate, particularly where a device has dual SIM capability. ARPU sharing has negatively affected our voice revenue, although it has had less of an impact on our data revenue due to the inability to use SIM-specific data applications on other networks (many of our VAS and data applications require that a customer use our network as the primary data service provider to readily access these applications). We employ a "smart pricing strategy" to develop products tailored to the needs of our customers for a reduced price, but we cannot ensure that we will be the primary service provider. If we are unable to develop strategies to encourage customers to retain us as their primary or sole provider, we could lose a larger percentage of our revenue due to ARPU sharing, which could have a material adverse effect on our business, financial condition and results of operations.

Our mobile revenue sources are short-term in nature.

Prepaid customers, who are customers who pay for service in advance through the purchase of wireless airtime or data access, represented 92% of our mobile customers as of June 30, 2017. As prepaid customers do not sign service contracts, our prepaid customer base is more likely than postpaid customers, who sign service contracts, to switch mobile operators and take advantage of promotional offers by other operators. Many of our mobile customers also subscribe to short-term data packages with lengths of one-day to one-week. As a result, we cannot be certain that prepaid customers or short-term data package customers will continue to use our services in the future, which makes our future revenue expectations unpredictable.

The telecommunications industry is characterized by rapid technological change and continually evolving industry standards, which could harm our competitive position, render our products obsolete and cause us to incur substantial costs to replace our products or implement new technologies.

The telecommunications industry is characterized by rapidly changing technology and evolving industry standards. Our success depends on our ability to adapt to the changing technological landscape. The technologies we utilize today may become obsolete or subject to competition from new technologies in the future. Although we expect our 2G services will continue to serve our less developed or less densely populated markets in Africa, our 3G services may become obsolete when appropriate devices become available and affordable for our customers, and those customers upgrade from 3G to 4G services.

We have 2G, 3G and 4G-enabled networks in all of our markets and provide 4G services in all of our Latin American mobile markets and 3 of our African markets. Developing a LTE network requires significant financial investments, and in fiscal 2015 and fiscal 2016, we spent $47 million

and $94 million, respectively, on operational licenses, spectrum acquisition and renewals (including 4G). In 2017, we also expect to invest between $100 million and $150 million on spectrum acquisitions. As our customers reduce their use of mobile voice and SMS services, we may not see a corresponding increase in their data use, as data transfer rates continue to increase and become more efficient, which could adversely affect our revenue and impede our mobile revenue growth. We also expect to face future competition from networks that provide faster, higher quality data transfer and streaming capability on 4G and LTE networks. Additionally, we may require additional or supplemental licenses to implement 4G technology in order to remain competitive, and we may be unable to acquire such licenses on reasonable terms or at all. We may need to incur significant capital expenditures in order to acquire licenses or infrastructure to offer new services to our customers or improve our current services.

Our customers expect that we will continue to regularly introduce more sophisticated telecommunications, media and internet services, such as VoIP, 3D TV, LTE, location based services, mapping technology, social networking services, premium content and high-speed data services, including streaming audio, streaming video, mobile gaming, advertisement paid services, video conferencing and other applications, particularly in our Latin American markets. Our ability to attract and retain customers is dependent on our ability to meet customer demand for new technology at the same, or at a quicker rate, than our competitors are able to do. Accordingly, our future growth and success will depend, in part, on sourcing new content, new technologies and innovative services and utilizing these technologies, allowing us to generate revenue proportionate to traffic volumes across our networks.

We may not be able to successfully implement our strategic priorities.

Our strategic priorities include, among others, expansion of our high speed data networks (4G and HFC cable) and facilitation of growth in our mobile data and cable segments. However, there can be no assurance that our strategy will be successfully implemented and will not cause changes in our operational efficiencies or structure. A failure to obtain the anticipated benefits of our strategy including increased revenue and cost optimization, or a delay in the implementation of our strategic priorities, could significantly affect our business, financial condition, results of operations, cash flows or prospects.

In addition, the implementation of our strategic priorities could result in increased costs, conflicts with stakeholders, business interruptions and difficulty in recruiting and retaining key personnel, which could harm our business, financial condition, results of operations, cash flows or prospects.

If we cannot successfully develop and operate our mobile, cable and broadband networks and distribution systems, we will be unable to expand our customer base and will lose market share and revenue.

Our ability to increase or maintain our market share and revenue is partly dependent on the success of our efforts to expand our business, the quality of our services and the management of our networks and distribution. As new technologies are developed or upgraded, such as advanced 4G systems, including LTE, and fiber optic cable networks, our equipment may need to be replaced or upgraded or we may need to rebuild our mobile, cable or broadband network, in whole or in part. The build-out of our networks and distribution is a capital intensive process that is subject to risks and uncertainties which may delay the introduction of services and increase the cost of network construction or upgrade. Such uncertainties include constraints on our ability to fund additional capital expenditures, as well as external forces, such as obtaining necessary permits and spectrum from regulatory and other local authorities. Unforeseeable technological developments may also render our services unpopular with customers or obsolete. If our equipment or systems become obsolete, we may be required to recognize an impairment charge on such assets, which may have a material adverse effect on our results of operations. To the extent we fail to expand and upgrade our network and distribution capabilities on a timely basis relative to our competitors, we may not be able to expand our customer base and we may lose

customers to competitors, which may hinder recovery of our significant capital investments and have a material adverse effect on our business, financial condition and results of operations.

In addition, we depend upon our ability to deploy sufficient resources to manage our active infrastructure and to effectively manage third parties to operate and maintain the networks we use, including the towers and network infrastructures that are subject to passive infrastructure and tower sharing agreements. Key components of our networks, including hardware and software, may breakdown, and the risk of such breakdown is higher for some of our emerging services as the equipment for them is not yet standardized. We have sold and leased back a significant number of our towers in Ghana, Tanzania, Colombia and Paraguay, as further discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure*," and we may engage in similar transactions in the future in our other markets. We have also entered into managed services agreements in certain of our African and Latin American markets to outsource the maintenance and replacement of our network equipment, as further discussed under "*Our Business—Our Services and Market Position—Managed Services Agreements*." Although the contracts impose performance obligations on the operators and tower management companies, we cannot guarantee that they will meet these obligations or implement remedial action in a timely manner. If our managed services agreements terminate, we may be unable to find a cost-effective, suitable alternative provider and we may no longer have the necessary expertise in-house to perform comparable services, which may negatively impact the quality of the services we provide to our customers.

We are increasingly dependent on key suppliers to provide us with products and services.

We rely on our ability to develop relationships with handset manufacturers and application developers, so that we are able to provide the advanced handsets and services demanded by customers using 3G and 4G services. The key suppliers of our handsets, both in terms of volume of sales and importance to our operations, are Samsung, Huawei, Apple, Motorola and BMobile. We import directly or we source our handsets through resellers in our markets. We source our SIM cards from two main suppliers. We have limited influence over our key suppliers and cannot assure you that we will be able to obtain required products or services on favorable terms or at all. We also seek to standardize our network equipment to ease equipment replacement and reduce downtime of our network and to contract with a limited number of international suppliers to achieve economies of scale, which means that we rely on a limited number of manufacturers to provide network and telecommunications equipment and technical support. The key suppliers of equipment and software for our existing networks are Huawei, Ericsson, Arris, Cisco, Kaon and Oracle. There are a number of alternative suppliers available to us; however, if we are unable to obtain adequate alternative supplies of equipment or technical support in a timely manner, on acceptable commercial and pricing terms, our ability to maintain and expand our networks and business may be materially and adversely affected.

As our operations are dependent upon access to networks not controlled by us, we rely on interconnect agreements, the terms of which could be made less favorable due to market participants or regulatory changes.

Our ability to provide telecommunications services would be severely hampered if our access to local and long distance line capacity was limited or if the commercial terms or costs of our interconnect agreements with other wireless and local, domestic and international fixed-line operators were significantly altered. Interconnection is required to complete calls that originate on our respective networks but terminate outside of our respective networks, or that originate from outside our networks and terminate on our respective networks. Costs may increase significantly as a result of new regulations or commercial decisions by other fixed-line operators or a lack of available line capacity for interconnection. Further, according to TeleGeography, in some of our markets, regulators have reduced interconnection rates. As we are often one of the largest suppliers of telephone services in the countries in which we operate, and interconnect fees represented 6% of our revenue in fiscal 2016; a reduction in interconnection rates could reduce our revenue, while also reducing our costs. If regulators in our markets reduced

interconnection rates, or imposed asymmetric interconnection or termination rates, these measures could have a material adverse effect on our overall results of operations.

Many of the mobile telecommunications markets in which we operate have high mobile penetration levels, inhibiting growth opportunities.

According to TeleGeography, all of the Latin American markets in which we operate have mobile phone service penetration levels exceeding 90%. The average mobile penetration rate across the African markets in which we operate varies widely between urban and rural areas, ranging from 48.1% in Chad to 128.7% in Ghana according to TeleGeography. Although there are some opportunities for further growth, our efforts to develop additional sources of revenue may not be successful. Therefore, high mobile penetration rates could lead to a slowdown in growth and the intensification of pricing pressures on all of our mobile services, which could adversely affect our future profitability and return on investments.

Our mobile applications and cable content may not be accepted or widely used by our customers.

We acquire rights to certain services for use by our mobile and cable customers, such as Tigo Music and Tigo Sports, and we have strategic partnerships with major digital players, such as Netflix, Deezer and Microsoft. We make long-term commitments in advance even though we cannot predict the popularity of the services or ratings the programming will generate. License fees are negotiated for a number of years and include "per user" billing, which means that we must still pay part of the fees even if the service supplied is no longer popular. The commercial success of applications or content also depends on the quality and acceptance of other competing applications or content released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time results from mobile data use and our cable business fluctuate primarily with the acceptance of such services by the public, which is difficult to predict. A shortfall, now or in the future, in the expected popularity of the various services for which we have acquired rights could lead to a fluctuation in our results of operations.

The success of our pay-TV services depends on our ability to access an attractive selection of television programming from content providers. The ability to provide movie, sports and other popular programming is a major factor that attracts customers to pay-TV services. We may not be able to obtain sufficient high quality programming from third-party producers for our cable TV services on satisfactory terms or at all in order to offer compelling cable TV services which could result in reduced demand for, and lower revenue and profitability from, our cable services.

Equipment and network systems failures could result in reduced user traffic and revenue, require unanticipated capital expenditures or harm our reputation.

Our business is dependent on certain sophisticated critical systems, including exchanges, switches and other key network elements, physical infrastructure and our billing and customer service systems. Our technological infrastructure is vulnerable to damage and disruptions from numerous events, including fire, flood, windstorms and other natural disasters, power outages, terrorist, acts, equipment and system failures, human errors and intentional wrongdoings, including breaches of our network and information technology security. Risks to our network include state sponsored censorship, sabotage, theft and poor equipment maintenance, which are ongoing risks, especially in Chad and Central America. Cyber-attacks are becoming more frequent in the telecommunications industry, and although we have an information security framework and organization in place, we cannot assure you that we will be able to prevent future attacks, and if we are unable to do so, there could be a material adverse effect on our results of operations. For example, our IT system in one of our markets was hacked in 2012 while undergoing remote maintenance, resulting in the unauthorized use of our network. We devote significant, high-level management time and financial resources managing the risk to our systems. We have hired a

senior-level director of information security to manage our network security policies across all of our operations. Unanticipated problems at our facilities, network or systems or at the facilities, network or systems of third parties on which we rely could harm our reputation and impair our ability to retain current customers or attract new customers, and could result in reduced user traffic and revenue, regulatory penalties or penal sanctions, unanticipated capital expenditures, or substantial uninsured losses, which could have a material adverse effect on our business, financial condition and results of operations.

We may incur significant costs from fraud, which could adversely affect us.

The lack of developed legal and regulatory frameworks in many of the countries in which we operate can lead to incidences of fraud. We have been in the past and may in the future be susceptible to fraudulent activity by our employees or third party contractors despite having robust internal control systems in place across our operations, which could have a material adverse effect on our results of operations. We also incur costs and revenue losses associated with the unauthorized or unintended use of our networks, including administrative and capital costs associated with the unpaid use of our networks as well as with detecting, monitoring and reducing the incidences of fraud. Fraud also impacts interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges. For example, in 2016, our most significant impact from fraudulent activity was caused by data charging bypass, where customers were able to use data without paying the appropriate charges through unauthorized use of free offers, voucher or rebate codes or through other means. We take preventative actions with respect to fraud and bypass, such as dedicating employees to fraud detection and investigation, test calls and analytics. We have a central revenue assurance team and local revenue assurance officers in each of our markets who are responsible for detecting and remediating fraud and bypass. When our monitoring team detects bypass fraud, we block the improper activity or contact the regulator or other operator involved to have the activity blocked. However, any continued or new fraudulent schemes could have an adverse effect on our business, financial condition and results of operations.

Some of our mobile products and services, such as MFS, are complex and increase our exposure to fraud, money laundering, and reputational risk.

Some of our new products and services, such as MFS and our e-commerce services, involve new distribution channels. Technical or administrative errors could result in customer losses for which we could be responsible, and we may be liable for online fraud and problems related to inadequately securing our payment systems. These services involve cash handling, exposing us to risk of fraud and money laundering and potential reputational damage. We must also keep our customers' MFS cash in local currency demand deposits in local banks in each market and ensure customers' access to MFS cash, exposing us to local banking risk. MFS may also be subject to new legislation and regulation. In most markets in which we have launched MFS, the regulations governing our MFS are new and evolving, and, as they develop, regulations could become more onerous, imposing additional reporting or controls or limiting our flexibility to design new products, which may limit our ability to provide our services efficiently or at all. We may not be able to modify our service provision in time to comply with any new regulatory requirements, or new regulation may be applied retroactively. Our failure to respond appropriately to these risks and uncertainties could reduce our revenue, as well as damage our reputation.

Our operations with strategic partners are accompanied by inherent business risks.

We have local partners in Colombia, Guatemala, Honduras and Zanzibar, we have agreed to combine our operations in Ghana with Bharti Airtel, and we are minority investors in some of the Rocket Internet e-commerce businesses and the tower company Helios Towers Africa, Ltd. In these operations, our ability to receive funds depends in part upon the consent of independent shareholders. Our ability to make significant strategic decisions in these operations may depend on consent of the other participants, and our operations may be negatively affected in the event

of disagreements with our partners. Further, emerging market investments with local partners are often accompanied by risks, including in relation to:

- our local partner becoming subject to an investigation, sanctions or liability that adversely affects us and our operations;
- the possibility that a local partner will default or terminate the applicable investment agreement;
- the possibility that a local partner will hinder development by exercising shareholder rights to block capital increases or other strategic decisions if that partner disagrees with our views on developing the business or loses interest in pursuing the projects; and
- the loss of a local partner and the associated benefits, such as local insight on operating a business in that market.

Allegations of health risks related to the use of mobile telecommunication devices and base stations could harm our business.

There have been allegations that the use of certain mobile telecommunication devices and equipment may cause serious health risks. The actual or perceived health risks of mobile devices or equipment could diminish customer growth, reduce network usage per customer, spark product liability lawsuits or limit available financing. In addition, the actual or perceived health risks may result in increased regulation of network equipment and restrictions on the construction of towers or other infrastructure. Each of these possibilities has the potential to seriously harm our business.

The application of financial accounting standards and changes to those standards may cause unexpected revenue fluctuations and affect our reported results of operations.

The preparation of our consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered by our management to be reasonable under the circumstances and at the time. These estimates and assumptions form the basis of judgments about the carrying values of assets and liabilities that are not readily available from other sources. Areas requiring more complex judgments may shift over time based on changes in business mix and industry practice which could affect our reported amounts of assets, liabilities, income and expenses. In addition, management's judgments, estimates and assumptions and the reported amounts of assets, liabilities, income and expenses may be affected by changes in accounting policy. As discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*," developments with the Guatemala joint venture (55% ownership interest) and the Honduras joint venture (66.7% ownership interest) have resulted in our application of significantly different accounting treatments for these operations over the periods presented in this offering memorandum, resulting in significant variations in the presentation of our results of operations between periods. These changes can make it difficult to identify and assess changes to our results of operations over time.

In May 2014, the International Accounting Standards Board ("IASB") issued a new accounting standard for revenue recognition (IFRS 15 "*Revenue from Contracts with Customers*") that will come into effect in 2018 and supersede nearly all existing revenue recognition guidance. We are currently in the process of evaluating the impact of IFRS 15 on our consolidated financial statements using the cumulative catch-up transition method. We anticipate observing a material impact on our consolidated financial statements, as certain revenue will be recognized earlier than it is now, and certain costs currently expensed will be capitalized and amortized over the expected customers' retention period (as discussed under "*Management's Discussion and Analysis*

of Financial Condition and Results of Operations—New Accounting Standards Not Yet Adopted—IFRS 15, 'Revenue from contracts with customers'"). The impact of these changes could have a material impact on our net profit despite having no impact on cash flows from operations.

In January 2016, the IASB issued a new standard coming into effect in January 2019, IFRS 16 "Leases," which is meant to supersede the current standard (IAS 17) and its current interpretations. We are in the process of evaluating this new standard's potential impact on our consolidated financial statements, particularly its treatment of operating leases and other lease arrangements that are today recorded as off-balance sheet contingent financial liabilities, which will affect our net debt and leverage ratios and our classification of cash flows. For further details on new accounting standards that may have a significant impact on our consolidated financial statements, including the potential impact of new standard in respect of IFRS 9, "*Financial Instruments*," which we have not yet adopted, please refer to the introduction to the fiscal 2016 consolidated financial statements. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—New Accounting Standards Not Yet Adopted*."

Rapid growth and expansion may make it difficult to obtain adequate managerial and operational resources and could restrict our ability to successfully expand our operations.

Our operating results depend, in significant part, upon the continued contributions of key senior management and technical personnel. Management of profitable growth will require, among other things:

- stringent control of network build-out and other costs;
- excellence in sales, marketing and distribution;
- continued innovative product development and deployment;
- continued development of financial and management controls and information technology systems;
- successful integration of new operations;
- implementation and operation of adequate and effective internal controls;
- hiring and training of new personnel; and
- coordination among our logistical, technical, accounting, legal and finance personnel.

Our success will depend on our ability to continue to attract, develop, motivate and retain qualified personnel. Certain of our key employees possess substantial knowledge of our business and operations. We cannot assure you that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. Competition for personnel in our markets is intense due to scarcity of qualified individuals. We put a high priority on training and developing local expertise in-house but it may take time for them to develop capacity, and retaining qualified staff can be challenging, as well. Furthermore, integration of new management would require additional time and resources, which could adversely affect our ability to implement our business strategy. We also need new competencies for the new businesses and services we launch, including in the digital field where there is heightened competition for talent. Our failure to successfully manage our growth and personnel needs would have a material negative effect on our business and results of operations.

Legal and Regulatory Risks

The telecommunications and broadcasting market is heavily regulated.

The licensing, construction, ownership and operation of mobile telephone, broadband and cable TV networks, and the grant, maintenance and renewal of the required licenses, as well as radio frequency allocations and interconnection arrangements, are regulated by national, state,

regional or local governmental authorities in the markets in which we operate, which can lead to disputes with government regulators. For example, the Colombian regulator has challenged Colombia Móvil's license fee, stating that it should be a significantly higher amount than we had recorded. The regulator has appealed an award in our favor in this matter (see "*Our Business—Litigation and Legal Proceedings—Colombia*"). In addition, certain other aspects of mobile telephone operations, including rates charged to customers and resale of mobile telephone services, and user registrations may be subject to public utility regulation in each market. Our operations also typically require government permits, including permits for the construction and operation of cell sites.

Changes in regulations may subject us to legal proceedings and regulatory actions and may disrupt our business activities, such as affecting prices or requirements for increased capital investments, which could materially adversely affect our results of operations. For example, since 2014, mobile operators in El Salvador and Honduras have been required to shut down services or reduce signal capacity in and around prisons, where authorities suspect criminal gangs are smuggling mobile phones into prisons for criminal purposes. According to TeleGeography, similar laws have been considered or proposed in Guatemala and Costa Rica. Further, regulations which make it commercially unviable to subsidize our mobile customers' handsets, or set an expiry date on when our customers must use their prepaid minutes or SMS bundles, could reduce revenue and margins for mobile services. Such regulatory changes could have a material adverse effect on our results of operations.

For more information on the regulatory environment in the markets in which we operate, see "*Telecommunications Regulations*."

The availability of spectrum is limited, closely regulated and expensive, and our licenses are granted for finite periods.

The availability of spectrum is limited, closely regulated and can be expensive, and we may not be able to obtain it from the regulator or third parties at all or at a price that we deem to be commercially acceptable given competitive conditions. If we acquire spectrum through acquisition, regulators may require us to surrender spectrum to secure regulatory approval. Most of our licenses are granted for specified terms, and we can have no assurance that any license will be renewed upon expiration. Some of our telecommunications licenses have recently been renewed and extended beyond 2028. Other licenses are due to expire while the Notes will be outstanding, including our mobile telecommunications licenses in Paraguay (2017, 2021 and 2022), El Salvador (2018 and 2021), Colombia (2019, 2021 and 2023), Ghana (2020 and 2024), Rwanda (2023) and Tanzania (2022). UNE's television license is due for renewal in 2019. If renewed, our licenses may contain additional obligations, including payment obligations, or may cover reduced service areas or permit a more limited scope of service. For more information, see "*Our Business—Our Services and Market Position—Our Mobile Operations*."

Our licenses may be suspended or revoked and we may be fined or penalized for alleged violations of law or regulations.

Our telecommunications licenses and legislation regulating the telecommunications industry in the countries in which we operate impose standards and conditions on our operations. If we fail to comply with the conditions of our licenses or with the requirements established by the legislation or if we do not obtain permits for the operation of our networks and equipment, use of frequencies or additional licenses for broadcasting directly or through agreements with broadcasting companies, we may not have sufficient opportunity to cure any non-compliance. In the event that we do not cure any non-compliance, the applicable regulator may levy fines, suspend or terminate our licenses, frequency permissions, or other governmental permissions or refuse to renew licenses that are up for renewal. The occurrence of any of these events could materially adversely affect our ability to build out our networks in accordance with our plans, could harm our reputation and could materially adversely affect our business, financial condition and results of operations. For example, the Tanzanian government implemented legislation requiring telecommunications companies to list their shares on the Dar es Salaam Stock Exchange

and offer 25% of their shares in a Tanzanian public offering by December 31, 2016, as further discussed under "*Telecommunications Regulations—Africa—Tanzania*." As we have not yet complied with this requirement, the penalty for non-compliance could include a revocation of our telecommunications licenses in Tanzania, as further discussed under "*Our Business—Litigation and Legal Proceedings—Tanzania*."

We collect and process sensitive customer data.

We increasingly collect, store and use customer data that is protected by data protection laws in the ordinary course of our operations and through our mobile applications and MFS. Data privacy laws and regulations apply broadly to the collection, use, storage, disclosure and security of personal information that identifies or may be used to identify an individual, such as names and contact information. Many countries have additional laws that regulate the processing, retention and use of communications data (both content and metadata), and in some countries, authorities can intercept communications, sometimes directly or without our knowledge, as discussed in our 2016 Law Enforcement Disclosure Report, which is available on our website. These laws and regulations are subject to frequent revisions and differing interpretations, and have generally become more stringent over time. As we are headquartered in Luxembourg and offer services to customers worldwide through roaming agreements, including within the European Union and the United States, we are subject to the European data protection regime and American data privacy laws. Although we take precautions to protect data in accordance with applicable privacy requirements, we may fail to do so and certain data may be leaked or otherwise used inappropriately. Violation of data protection laws may result in fines, damage to our reputation and customer churn and could have an adverse effect on our business, financial condition and results of operations.

Our intellectual property rights are costly and difficult to protect, and failing to maintain the historical reputation of our brands or impairment of our intellectual property rights would adversely affect our business.

Our intellectual property rights, including our key trademarks and domain names, which are well known in the markets in which we operate, are important to our business. The brand name Tigo and currently used figurative trademark are extremely important assets and contribute to our success in our markets. If we are unable to maintain the reputation of and value associated with our Tigo or UNE brand names, we may not be able to successfully retain and attract customers.

We rely upon a combination of trademark and copyright laws, database protections and contractual arrangements, where appropriate, to establish and protect our intellectual property rights. However, intellectual property rights are especially difficult to protect in many of the markets in which we operate. In these markets, the regulatory agencies charged to protect intellectual property rights are inadequately funded, legislation is underdeveloped, piracy is commonplace and enforcement of court decisions is difficult. The diversion of our management's time and resources along with potentially significant expenses that could be involved in protecting our intellectual property rights in our markets, or losing any intellectual property rights, could materially adversely affect our business, financial condition and results of operations. Our reputation may be harmed if any of the risks described in this "*Risk Factors*" section materialize. Any damage to our reputation or to the value associated with our Tigo or UNE brands could have a material adverse effect on our business, financial condition and results of operations.

We are subject to anti-corruption laws.

We are subject to a number of anti-corruption laws in the countries in which we operate and are located, including the Foreign Corrupt Practices Act ("FCPA") in the United States. Our failure to comply with anti-corruption laws applicable to us could result in penalties, which could harm our reputation and harm our business, financial condition, results of operations, cash flows or prospects. The FCPA generally prohibits covered companies, their officers, directors and

employees and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. On October 21, 2015, we announced that we had reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Guatemala joint venture, as further discussed under "*Our Business—Litigation and Legal Proceedings—Guatemala*." The matter remains under investigation in the United States. An adverse outcome could negatively impact our business, financial condition, results of operations, cash flows and prospects.

We regularly review and update our policies and procedures and internal controls designed to provide reasonable assurance that we, our employees, joint ventures, distributors and other intermediaries comply with the anti-corruption laws to which we are subject. However, anti-corruption policies, procedures and internal controls are not always effective against this risk. We cannot assure you that such policies or procedures or internal controls work effectively at all times or protect us against liability under these or other laws for actions taken by our employees, joint ventures, distributors and other intermediaries with respect to our business or any businesses that we may acquire.

We operate in countries which pose elevated risks of corruption violations. For example, the Guatemala joint venture may be included in an investigation into alleged illegal campaign financing in Guatemala, as further discussed under "*Our Business—Litigation and Legal Proceedings—Guatemala.*" If we are not in compliance with anti-corruption laws and other laws governing the conduct of business with government entities and/or officials (including local laws), we may be subject to criminal and civil penalties and other remedial measures, which could harm our business, financial condition, results of operations, cash flows or prospects. Investigations of any actual or alleged violations of such laws or policies related to us could harm our business, financial condition, results of operations, cash flows or prospects.

Our risk management and internal controls may not prevent or detect violations of law.

Our existing compliance controls may not be sufficient in order to prevent or detect inadequate practices, fraud or violations of law by our intermediaries, sales agents or employees. If any of these individuals or entities receive or grant inappropriate benefits or use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties and harm to our reputation. Given our international operations, group structure, and size, our internal controls, policies and our risk management may not be adequate, which could have a material negative impact on our reputation, business activities, financial position and results of operations.

New or proposed changes to laws or new interpretations of existing laws in the markets in which we operate may harm our business.

We are subject to a variety of national and local laws and regulations in the countries in which we do business. These laws and regulations apply to many aspects of our business. Violations of applicable laws or regulations could damage our reputation or result in regulatory or private actions with substantial penalties or damages. In addition, any significant changes in such laws or regulations or their interpretation, or the introduction of higher standards or more stringent laws or regulations, could have an adverse impact on our business, financial condition, results of operations and prospects. For example, in Tanzania, new rules with more stringent registration requirements on personal identification documentation required us to register all customers' SIM cards and remove unregistered customers from our customer base has resulted in the loss of a significant number of our existing customers in Tanzania and caused delays to the process of adding new customers; in Colombia, new regulations make it commercially unviable to subsidize our mobile customers' handsets, which has impeded our customers' access to affordable smart phones; and in Paraguay, we can no longer set an expiry date on when our customers must use their prepaid minutes or SMS bundles, which could reduce revenue and margins for mobile services.

We may be subject to legal liability associated with providing online services or media content.

We host and provide a wide variety of services and products that enable our customers to conduct business, and engage in various online activities. The law relating to the liability of providers of these online services and products for the activities of their customers is still unsettled in some jurisdictions. Claims may be threatened or brought against us for defamation, negligence, breaches of contract, copyright or trademark infringement, unfair competition, tort, including personal injury, fraud, or other theories based on the nature and content of information that we use and store. In addition, we may be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates applicable law.

We also offer third-party products, services and content. We may be subject to claims concerning these products, services or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services or content. Defense of any such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

Risks relating to the markets in which we operate

Some of the countries in which we operate have a history of political instability and any current or future instability may negatively affect our revenue or ability to conduct business.

We offer telecommunication services in 11 markets in Latin America and Africa: Bolivia, Colombia, Costa Rica, El Salvador, Honduras, Guatemala and Paraguay in Latin America and Chad, Ghana, Tanzania and Rwanda in Africa. Many of the countries in which we operate are considered to be emerging economies and can therefore be subject to greater political and economic risk than developed countries. The governments of these countries differ widely with respect to type of government, constitution, and stability and many of these countries lack mature legal and regulatory systems. Some of the countries in which we operate suffer from political instability, civil unrest, or war-like actions by anti-government insurgent groups. These problems may continue or worsen, potentially resulting in significant social unrest or civil war. For example, El Salvador has one of the highest murder rates in the world due to violent crime gangs, and Chad has experienced a number of civil wars since 2005. Any political instability or hostilities in the markets in which we operate can hinder economic growth and reduce discretionary consumer spending on our services and may result in damage to our networks or prevent us from selling our products and services.

We face a number of risks as a result of such political instability, ranging from the risk of network disruption, sometimes resulting from government requests to shut down our network in areas experiencing hostilities or crime, as well as forced and illegal abuse of our network by political forces. We also face the risk that we may have to evacuate some or all of our key staff from certain countries, in which case there is no guarantee that we would be able to continue to operate our business as previously conducted in such countries. Any of these events would adversely affect our results of operations.

The countries in which we operate have political regimes that may not view foreign business interests favorably and may attempt to expropriate all or part of our local assets or impose controls on our operations.

The governments of the jurisdictions in which we operate may, at times, attempt to nationalize telecommunications operations or take other action that is unfavorable to foreign business interests. For example, in 2008 the Bolivian government nationalized the telecommunications company Entel, which had been privatized under previous presidential regimes, and in September 2013, the Bolivian president threatened to nationalize private mobile operators in Bolivia, including our Bolivian operations, if they did not adequately support the government in

investigating crime. Other such actions might take place to limit foreign investment or regain more control over national economies or industries considered to be of strategic national importance in the countries in which we operate. For example, the Tanzanian government implemented legislation requiring telecommunications companies to list their shares on the Dar es Salaam Stock Exchange and offer 25% of their shares in a Tanzanian public offering by December 31, 2016, as further discussed under "*Telecommunications Regulations—Africa—Tanzania*." We are currently in violation of this requirement due to a challenge to our ownership of our Tanzanian subsidiary (as discussed under "*Our Business—Litigation and Legal Proceedings—Tanzania*"), which could result in substantial penalties or a suspension of our license.

Governments of the countries in which we operate may also impose measures to lower tariffs offered to customers or increase taxes on private foreign owned businesses such as ours to increase government revenue. Measures like these may have the effect of increasing our network operation or roll-out costs and reducing the profitability of our operations and threaten our return on investment.

Most of the countries in which we operate have underdeveloped economies with low GDP per capita and therefore any increased inflationary pressures and downturns could significantly impact our revenue.

Consumption of mobile telephone and fixed-line services in the markets in which we operate is driven by a country's GDP, inflation, the level of consumer discretionary income, and consumers' willingness to accept potential price increases. Most of these economies have large populations living on a paycheck to paycheck basis and primarily spending income on basic items such as food, housing and clothing, with less income to spend on discretionary items like mobile, cable or broadband services. Downturns in the economies of any particular country or region in which we operate may adversely affect demand for our services, which would negatively impact our revenue. Some countries in which we operate have historically experienced high inflation rates, although in recent years the rates have been more stable. Periods of significant inflation in any of our markets could adversely affect our costs and financial condition as well as reducing the discretionary income of our less affluent customers, and therefore their purchasing power for telecommunications services. The loss of customers following a significant economic downturn could result in loss of a significant amount of expected revenue. As we incur costs based on our expectations of future revenue, our failure to accurately predict revenue could adversely affect our business, financial condition, results of operations and business prospects.

Fluctuations or devaluations in local currencies in the markets in which we operate against our U.S. dollar reporting as well as our ability to convert these local currencies into U.S. dollars to make payments on the Notes, could materially adversely affect our business, financial condition and results of operations.

A significant amount of our costs, expenditures and liabilities are denominated in U.S. dollars, including capital expenditures and borrowings. In the markets in which we operate, we collect revenue from our customers and from other telecommunications operators for interconnect charges in local currencies, and there may be limits to our ability to convert these local currencies into U.S. dollars. We hold part of our readily available cash in U.S. dollars and Euros in order to manage against the risk of local currency devaluation. However, local currency exchange rate fluctuations in relation to the U.S. dollar may have an adverse effect on our earnings, assets and cash flows when translating or converting local currency into U.S. dollars. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Foreign Currency*." For each of our operations that report their results in a currency other than the U.S. dollar, a decrease in the value of that currency against the U.S. dollar reduces our profits while also reducing our assets and liabilities. To the extent that our operations retain earnings or distribute dividends in local currencies, the amount of U.S. dollars ultimately received by MIC S.A. is affected by fluctuations in exchange rates against the

U.S. dollar. In addition, exchange rates impact the Millicom Group's earnings, assets and cash flows as many of our operating subsidiaries have U.S. dollar denominated debt, due to unavailability of, or lack of commercially acceptable long-term financing in local currencies.

Due to lack of available financial instruments in many of the countries or currencies in which we operate, we may not be able to hedge against foreign currency exposures. We had net exchange gains of $16 million in fiscal 2016 compared to net exchange losses of $304 million in fiscal 2015. At the operational level we seek to reduce our foreign exchange exposure through a policy of matching, as far as possible, cash inflows and outflows. Where possible and where financially viable, we borrow in local currency to hedge against local currency exchange risks. Our ability to reduce our foreign currency exchange exposure may be limited by lack of long-term financing in local currency or derivative instruments in the currencies in which we operate. As such, there is a risk that we may not be able to finance local capital expenditure needs or reduce our foreign exchange exposure by borrowing in local currency. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risk*."

Investors in emerging markets, where most of our operations are located, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy.

Most of our operations are in emerging markets. Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant political, legal and economic risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption and rapid reversal of political and economic policies on which we depend. Political and economic relations among the countries in which we operate are often complex and have resulted, and may in the future result, in conflicts, which could materially harm our business, financial condition, results of operations, cash flows or prospects. The economies of emerging markets are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. Turnover of political leaders or parties in emerging markets as a result of a scheduled election upon the end of a term of service or in other circumstances may also affect the legal and regulatory regime in those markets to a great extent than turnover in established countries. Many of the emerging markets in which we operate are susceptible to significant social unrest or military conflicts. These developments could severely limit our access to capital and could materially harm the purchasing power of our customers and, consequently, our business.

Further, the nature of much of the legislation in emerging markets, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the legal systems in emerging markets, place the enforceability and, possibly, the constitutionality of, laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies. The legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. Any of these factors could affect our ability to enforce our rights under our licenses or our contracts, or to defend our company against claims by other parties.

Investors should fully appreciate the significance of the risks involved in investing in a company with significant operations in emerging markets and are urged to consult with their own legal, financial and tax advisors.

Most of the countries where we operate lack infrastructure or have infrastructure in poor condition and, particularly in Africa, have an insufficient supply of electricity.

Most of the countries in which we operate often lack modern infrastructure or have infrastructure in poor or very poor condition, including in particular roads and power networks.

The lack of suitable infrastructure is particularly acute in countries recovering from civil wars, such as Rwanda, and in countries suffering from civil war-like events, such as Chad. In general, the rural areas in each of the countries in which we operate often lack even the most basic infrastructure. We must often build our cell sites without the benefit of roads and other infrastructure, which increases our network development and maintenance costs. Governments in many of our markets address the lack of telecommunications infrastructure by implementing universal service funds, which are taxes levied on revenue from telecommunications services. The purpose of universal service funds is to subsidize the expansion of basic communication services throughout a country, even in remote areas, at affordable prices. Many of the markets in which we operate impose a universal service fund levy on telecommunications providers that range from 1.0% to 5.0% of net revenue, which negatively impacts the profitability of our operations. See "*Telecommunications Regulations*" for a discussion of the universal service fund obligations that apply in our markets.

The electricity supply is insufficient in certain of the African countries in which we operate due to underdevelopment of electricity sectors compared to the pace of economic growth in such countries. In certain countries, we must rely on diesel-powered generators or solar panels to power our radio sites and some of our towers have solar back-up power or hybrid deep cycle backup batteries. In Chad, as of December 31, 2016, almost 100% of our sites were powered by diesel-powered generators, and at times, sourcing sufficient fuel at commercially acceptable prices has impacted our network reliability. In Senegal, we have alleviated constraints associated with power shortages by deploying secondary back-up diesel generators and deep cycle batteries in areas with the most volatile power supplies. These measures increase our costs and impact the profitability and reliability of our network in our African operations.

Unpredictable tax systems give rise to significant uncertainties and risks that could complicate our tax planning and business decisions.

The tax systems in the markets in which we operate are unpredictable, which gives rise to significant uncertainties and complicates our tax planning and business decisions. For example, in Colombia, a net wealth tax was introduced in 2015, which applies to both residents and non-residents of Colombia whose net worth exceeds COP 1 billion (approximately $700,000), and El Salvador approved the introduction of a 5% tax on telecommunication services to finance government security plans in 2015. These new taxes impact the profitability of our operations.

The tax laws and regulations in the markets in which we operate are complex and subject to varying interpretations. The tax authorities in the markets in which we operate are often arbitrary in their interpretation of tax laws, as well as in their enforcement and tax collection activities. We cannot be sure that our interpretations are accurate or that the responsible tax authority agrees with our views. Tax declarations are subject to review and investigation by a number of authorities, which are empowered to impose fines and penalties on taxpayers. Tax audits may result in additional costs to our group if the relevant tax authorities conclude that entities of the group did not satisfy their tax obligations in any given year. Such audits may also impose additional burdens on our group by diverting the attention of management resources. The outcome of these audits could harm our business, financial condition, results of operations, cash flows or prospects. Many of our operating companies are often forced to negotiate their tax bills with tax inspectors who may assess additional taxes. We are currently addressing tax disputes with the local tax authorities in several jurisdictions, further described under "*Our Business—Litigation and Legal Proceedings—Tax Disputes*."

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our business, results of operations, financial conditions or cash flows.

Developing legal systems in the countries in which we operate create a number of uncertainties for our businesses.

The nature of much of the legislation in emerging markets, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of emerging markets legal systems, place the enforceability and, possibly, the constitutionality of, laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies. The legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these factors could affect our ability to enforce our rights under our licenses and under our contracts, or to defend ourselves against claims by others.

Further, the legal systems in many of the emerging market countries in which we operate are less developed than those in more established markets, which creates uncertainties with respect to many of the legal and business decisions that we make. Such uncertainties include, among others, potential for negative changes in laws, gaps and inconsistencies between the laws and regulatory structure, difficulties in enforcement, broad regulatory authority held by telecommunications regulators, and inconsistency in the judicial interpretation of legislation in similar cases due to an under-developed judicial system. For example, we are currently facing a legal challenge to the ownership of our Tanzanian subsidiary, as further discussed under "*Our Business—Litigation and Legal Proceedings—Tanzania*," which, if not resolved in our favor, could result in the loss of our Tanzanian operations without compensation and further damages or costs assessed as a result of the litigation. We may not always have access to efficient avenues for appeal and may have to accept the decisions imposed upon us. This could adversely affect our business and our revenue. For more information concerning our material legal proceedings and the aggregate amount of claims against us, see "*Our Business—Litigation and Legal Proceedings*."

Most of our operations generate revenue in the local currency of the country in which they operate. The governments of the countries in which our operations are located may impose foreign exchange controls that could restrict our ability to receive funds from the operations.

As substantially all our revenue is generated by our local operations, MIC S.A. is reliant on its subsidiaries' ability to transfer funds to it. Although foreign exchange controls exist in some of the countries in which our companies operate, none of these controls significantly restricts the ability of our operating companies to pay interest, dividends, technical service fees, and royalty fees or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, foreign exchange controls may be strengthened, or introduced in the countries where we operate, which could restrict MIC S.A.'s ability to receive funds from those operations. In addition, in some countries it may be difficult to convert local currency into foreign currency due to limited liquidity in foreign exchange markets. For example, all transfers of funds outside the Central Africa Economic and Monetary Community (CEMAC), which includes Chad, or the West Africa Economic and Monetary Union (WAEMU), which includes Senegal, including interest, dividends, technical service fees and royalty fees, or repayment of loans by exporting cash, instruments of credit or securities, must be declared and are subject to special control for statistical purposes. These restrictions may constrain the frequency for possible upstreaming of cash from our subsidiaries to MIC S.A. in the future. These and any similar controls enacted in the future may cause delays in accumulating significant amounts of foreign currency, and cause exchange risk, which could have an adverse effect on our results of operations.

Our functional currency is the U.S. dollar; however, our headquarters are located in Luxembourg and our operations are in various countries with different currencies. We are exposed to the potential impact of any alteration to, or abolition of, foreign exchange which is "pegged" at a fixed rate against the U.S. dollar. Any "unpegging," particularly if the currency weakens against the U.S. dollar, could have an adverse effect on our business, financial condition or results of operations.

Risks relating to the Issuer and the Millicom Group

MIC S.A. is a holding company, and as a result, it is dependent on cash flow from its operating subsidiaries to service its indebtedness, which may be limited by local law.

MIC S.A. is a holding company and its primary assets consist of shares in its subsidiaries and cash in its bank accounts.

As a holding company, MIC S.A. has no significant revenue generating operations of its own, and therefore its cash flow and ability to service its indebtedness will depend primarily on the operating performance and financial condition of its operating subsidiaries and its receipt of funds from such subsidiaries in the form of dividends or otherwise. There are legal limits on dividends that some of MIC S.A.'s subsidiaries are permitted to pay. Further, some of our indebtedness imposes restrictions on dividends and other restricted payments, which are described under "*Description of Other Indebtedness—Indebtedness by Operation*." MIC S.A.'s operating subsidiaries may not generate income and cash flow sufficient to enable MIC S.A. to fund its payment obligations on the Notes, because its ability to provide funds will depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond its control.

MIC S.A. provides essential support and services to our operations which would be detrimental if discontinued or might be challenged as not being on an arm's-length basis.

MIC S.A. provides our operations with services that substantially benefit them and would be detrimental to our future operations and growth if they were to be discontinued. These services include:

- financing;
- increased bargaining power with its suppliers;
- technical and management services, such as business support services (including human resources support and legal, IT and marketing services) and advisory services related to the construction, installation, operation, management and maintenance of its networks; and
- trademark licensing agreement for use of the Tigo trademark and/or Millicom name, which are non-transferable and continue for an indefinite period unless terminated pursuant to the terms of the agreement.

If MIC S.A. were unable to provide these services to our operations on a timely basis and at a level that meets our needs, or if these trademark license agreements were terminated, our operations may be disrupted and our business, financial condition and results of operations could be materially adversely affected. In addition, tax authorities could argue that some of these services are on terms more favorable than those that could be obtained from independent third parties and assess higher taxes or fines in respect of the service MIC S.A. provides.

Certain insiders own significant amounts of MIC S.A.'s shares, giving them substantial management influence that may not align with the interests of the Noteholders.

As of June 30, 2017, Kinnevik AB, MIC S.A.'s largest shareholder, owned 37,835,438 shares in MIC S.A., representing 38% of the voting shares on that date. Kinnevik AB and its affiliates, having a significant ownership in MIC S.A., could exert significant influence over the strategic, operating and financial policies of the Millicom Group. MIC S.A.'s nomination committee nominates members to MIC S.A.'s board of directors and is comprised of some of our largest shareholders, including Kinnevik AB. Two out of nine of MIC S.A.'s directors, including our chairman, are affiliated with Kinnevik AB or companies affiliated with Kinnevik AB. Its interests could potentially conflict with the Millicom Group's interests and/or your interests as Noteholders.

The Issuer is incorporated in Luxembourg, and Luxembourg law differs from U.S. law and may afford less protection to holders of the Notes.

Holders of the Notes may have more difficulty protecting their interests than would security holders of a company incorporated in a jurisdiction of the United States. The Issuer is incorporated under and subject to Luxembourg laws. Luxembourg laws may differ in some material respects from laws generally applicable to U.S. corporations and security holders, including the provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, security holder lawsuits and indemnification of directors.

Under Luxembourg law, the duties of directors of a company are in principle owed to the company only. Security holders of Luxembourg companies generally do not have rights to take action against directors or officers of the company. Directors or officers of a Luxembourg company must, in exercising their powers and performing their duties, act in good faith and in the interests of the company as a whole and must exercise due care, skill and diligence. Directors have a duty to disclose any personal interest in any contract or arrangement with the company in case such interest would constitute a conflict of interest. If a director of a Luxembourg company is found to have breached his or her duties to that company, he or she may be held personally liable to the company in respect of that breach of duty. A director may, in addition, be jointly and severally liable with other directors implicated in the same breach of duty.

The level, structure and obligations connected with our debt, including our obligations under the Notes, could impair our liquidity and our ability to expand or finance our future operations.

As of June 30, 2017, our total indebtedness was $4,210 million, of which MIC S.A. incurred $1,772 million directly, and MIC S.A. guaranteed $667 million of indebtedness incurred by its subsidiaries, including $250 million of indebtedness incurred by the Honduras joint venture. Including the gross debt of the Guatemala and Honduras joint ventures, the Millicom Group's total indebtedness was $5,599 million as of June 30, 2017. See "*Description of Other Indebtedness—Overview*." As of June 30, 2017, MIC S.A. also had $64 million of carrying value of foreign currency hedges on the SEK Bonds. As of June 30, 2017, our share of pledged deposits was $2 million.

We may incur additional debt in the future. Although the Indenture, and certain of our outstanding debt instruments contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Under the Indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness so long as on a pro forma basis our net leverage ratio (as defined in the Indenture) does not exceed 3.0 to 1.0. The Indenture permits us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those of the Indenture. In addition, the Indenture and our credit facilities and bonds will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. The incurrence of additional debt could, among other things, require us to dedicate a substantial portion of our cash flow to payments on our debt, thus reducing availability of cash to fund organic growth or corporate purposes, omit our flexibility to plan for or react to changes in our business or the industry or markets in which we operate, increase our vulnerability to a downturn in our business or general economic conditions, place us at a competitive disadvantage compared to competitors who might have less debt, or restrict us from pursuing strategic acquisitions or exploiting certain business opportunities. If we substantially increase our level of debt we may experience other negative consequences, including reducing our ability to pay dividends and preventing us from complying with our dividend policy, and find it more difficult to satisfy our obligations with respect to our debt.

Risks relating to the Notes

The Notes will be structurally subordinated to all indebtedness of the Millicom Group's subsidiaries and will be effectively subordinated to any of the Issuer's existing and future obligations that are secured by assets or property that do not secure the Notes.

As none of our subsidiaries will guarantee the Notes, none of our subsidiaries will have any obligation, contingent or otherwise, to pay amounts due under the Notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or otherwise. The Notes will be structurally subordinated to all indebtedness and other obligations of all of our subsidiaries, such that in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any subsidiary, all of the subsidiary's creditors would be entitled to payment in full out of such subsidiary's assets before the Issuer would be entitled to any payment. Though the Indenture includes a covenant limiting our ability to create or suffer to exist liens, this limitation is subject to significant exceptions. Any of our future indebtedness that is secured by our assets will be effectively senior to the Issuer's obligations under the Notes to the extent of the value of the property and assets securing such obligations. In the event of an insolvency, any right of the holders of the Notes to participate in the assets securing our other indebtedness will be subject to the prior claims of its secured creditors. As of June 30, 2017, our subsidiaries and the joint ventures in Guatemala and Honduras had $3,827 million of third-party debt, including finance lease payables.

The restrictive covenants in the Indenture could adversely impact our financial and operating flexibility and subject us to other risks.

The Indenture and certain of our credit facilities and bonds contain, or will contain, restrictive covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

- incur or guarantee additional indebtedness;
- make certain asset sales;
- create or permit to exist certain liens; and
- consolidate, merge or sell all or substantially all of our assets.

These limitations are subject to a number of important qualifications and exceptions. Complying with the restrictions contained in some of these covenants may require we meet certain ratios and tests in order to undertake particular transactions. If we fail to comply with these covenants, it could constitute a default under the Indenture, and the principal and accrued interest on the outstanding indebtedness may become due and payable. We cannot assure you that the operating and financial restrictions in the Indenture will not adversely affect our ability to finance our future operations or capital needs, or engage in other business activities that may be in our interest, or react to adverse market developments.

We may not be able to raise the funds necessary to finance the change of control offer required by the Indenture that governs the Notes if a Change of Control occurs.

Upon the occurrence of certain Change of Control events, together with a ratings decline as described in "*Description of the Notes—Change of Control*," the Issuer must offer to buy back the Notes for a price equal to 101% of the principal amount of the Notes, plus any accrued and unpaid interest to the date of repurchase. The Issuer may not have sufficient funds available to make any required repurchases of the Notes upon a Change of Control. If a Change of Control is triggered and we fail to make any required prepayment, this could lead to an event of default, and could trigger cross default/cross acceleration provisions under certain of our other debt agreements. In such event, our obligations under one or more of these agreements could become immediately due and payable, which would have a material adverse effect on our business, financial condition and results of operations.

Luxembourg insolvency laws may not be as favorable as insolvency laws in other jurisdictions.

The Issuer is incorporated and has its registered office in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws, which may not be as favorable to investors' interests as those of jurisdictions with which investors may be familiar and may limit the ability of Noteholders to enforce the terms of the Notes. Certain insolvency law issues in respect of the Notes are summarized under "*Certain Insolvency Considerations*."

Enforcing your rights as a holder of the Notes in Luxembourg may prove difficult.

The Notes will be issued by MIC S.A., which is a public limited liability company (société anonyme) incorporated under the laws of Luxembourg. Your rights under the Notes will be subject to Luxembourg insolvency and administrative laws, and there can be no assurance that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, Luxembourg bankruptcy, insolvency, administrative and other comparable laws may be materially different from, or in conflict with, the comparable laws in the jurisdictions in which MIC S.A.'s subsidiaries are incorporated or are located, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of these countries may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question whether and how these countries' laws should apply. Such issues may adversely affect your ability to enforce your rights under the Notes or limit any amounts that you may receive. See "*Certain Insolvency Considerations*."

Your ability to enforce civil liabilities under U.S. securities laws may be limited.

The Issuer is a Luxembourg company, and some of its directors and executive officers are residents of countries other than the United States. Most of the assets of the Issuer and the assets of some of its directors and executive officers are located outside the United States. As a result, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or entities or to enforce in U.S. courts or outside the United States judgments obtained against such persons or entities. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon the civil liability provisions of U.S. securities laws.

The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through the common depositary for Euroclear or Clearstream or the custodian for DTC.

Interests in the global notes will trade in book-entry form only, and the Notes in definitive registered form ("Definitive Registered Notes") will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners of the Notes. So long as the Notes are held in global form, the common depositary for Euroclear and Clearstream or the nominee for DTC, as applicable, (or their respective nominees) will be considered the sole holders of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to Citibank, N.A., London Branch, as Paying Agent, which will make payments to Euroclear, Clearstream and DTC. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the order of the common depositary for Euroclear or Clearstream or the nominee for DTC, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear, Clearstream or DTC, and if you are not a participant in Euroclear, Clearstream or DTC, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear, Clearstream or DTC. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until Definitive Registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear, Clearstream or DTC. The procedures to be implemented through Euroclear, Clearstream or DTC may not be adequate to ensure the timely exercise of rights under the Notes. See "*Book-Entry, Delivery and Form*."

An active trading market may not develop for the Notes, which may hinder your ability to liquidate your investment.

We cannot assure you as to the liquidity of any market that may develop for the Notes, the ability of holders of the Notes to sell them or the price at which the holders of the Notes may be able to sell. The liquidity for any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our own financial condition, performance and prospects, as well as recommendations by securities analysts. Historically, the market for non-investment grade debt, such as the Notes, has been subject to disruptions that have caused substantial price volatility. We cannot assure you that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. We have been informed by the Initial Purchasers that they intend to make a market for the Notes after the offering is completed. However, the Initial Purchasers are not obligated to do so and may cease their market-making activity at any time without notice. In addition, such market-making activity will be subject to limitations imposed by the Securities Act and other applicable laws and regulations. As a result, we cannot assure you that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have an adverse effect on the liquidity and the trading price of the Notes. Market fluctuations, as well as economic conditions, could adversely affect the market price of the Notes. If a market for the Notes does develop, we also cannot assure you that you will be able to sell your Notes, if issued, at a particular time or that the prices that you receive when you sell will be favorable.

Although application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, the Issuer cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of admission to trading on the Euro MTF, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes in the secondary market.

Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time.

One or more independent credit rating agencies may assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes.

Moody's changed the outlook on our corporate credit rating to "negative" on February 29, 2016 following a review for downgrade initiated after our announcement that we had self-reported to law enforcement authorities in the United States and Sweden regarding potential improper payments in Guatemala in October 2015 (as further discussed under "*Our Business—Litigation and Legal Proceedings—Guatemala*"). Moody's report stated: "The change in outlook to negative reflects the very little information available regarding the timing and estimates of legal outcomes or possible monetary fines [resulting from the investigation]." A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. We cannot assure you that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the relevant Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

The Notes may not be freely transferred.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. The Notes may not be sold except pursuant to an exemption from, or a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws, or pursuant to an effective registration statement. Furthermore, we have not registered the Notes under any other country's securities laws. It is your obligation to ensure that your sales of the Notes within the United States and other countries comply with applicable securities laws. See "*Transfer Restrictions*" and "*Plan of Distribution—Selling Restrictions*."

The Notes may be issued with OID for U.S. federal income tax purposes.

The Notes may be issued with OID for U.S. federal income tax purposes. If the stated principal amount of the Notes exceeds their "issue price" by an amount that is equal to or greater than the statutorily defined de minimis amount, the Notes will be treated as issued with OID for U.S. federal income tax purposes in an amount equal to such difference. If the Notes are issued with OID for U.S. federal income tax purposes, U.S. investors in the Notes will generally be required to include OID in their gross income as it accrues in advance of the receipt of cash payments to which such income is attributable using the constant yield method, regardless of their usual method of accounting for U.S. federal income tax purposes. See "*Tax Considerations—Certain U.S. Federal Income Tax Consequences for U.S. Holders*."

Use of proceeds

The gross proceeds of the issuance of the Notes will be $500 million. We estimate that the commissions, fees and expenses associated with the Notes will be $6 million and the net proceeds of the issuance of the Notes, after deducting commissions, fees and expenses, will be $494 million. We intend to use the net proceeds (i) to finance the purchase of the 6.625% Notes that are tendered and accepted for purchase in accordance with the terms and conditions of the Tender Offer that is expected to be settled on or about September 20, 2017, (ii) to finance the redemption price to redeem all Existing Notes that remain outstanding on October 15, 2017, (iii) to fund capital expenditures and (iv) for general corporate purposes.

Capitalization

There has been no material change in our consolidated capitalization since June 30, 2017, except for certain adjustments we consider to be material provided in the table below and as otherwise disclosed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*" and "*Description of Other Indebtedness—Indebtedness by Operation*."

The following table presents our consolidated capitalization as of June 30, 2017 on an actual basis, and on an as adjusted basis after giving effect to the offering and to the repayment of indebtedness described under "*Use of Proceeds*." Except for the adjustments indicated below, the consolidated capitalization presented below does not reflect any other movements in cash, indebtedness incurred or any repayment of such indebtedness, in each case, after June 30, 2017. The following table is qualified in its entirety by, and should be read in conjunction with, "*Use of Proceeds*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

	As of June 30, 2017		
	Actual	Adjustments[1]	As Adjusted[1]
	(U.S. dollars in millions)		
Cash and cash equivalents	721	(183)	538
Liabilities:			
Notes offered hereby[2]	–	500	500
4.75% Notes[3]	342	–	342
6.625% Notes[4]	653	(653)	–
6.0% Notes[4]	495	–	495
SEK Bonds[4][5]	235	–	235
MIC S.A. Term Loan[4]	50	–	50
Revolving Credit Facility[4][6]	(3)	–	(3)
Total Issuer-level debt[7]	**1,772**	**(153)**	**1,619**
Total debt at Issuer's subsidiaries[7]	**2,438**	**–**	**2,438**
Total debt	**4,210**	**(153)**	**4,057**
Total equity[8]	**3,093**	**(30)**	**3,063**
Total capitalization[9]	**7,303**	**(183)**	**7,120**

(1) Adjustments and As Adjusted reflect the issuance of the Notes, the assumed purchase of all 6.625% Notes in the Tender Offer and the payment of fees and expenses in connection with the offering and the Tender Offer, as described under "*Use of Proceeds*."

(2) Represents the gross amount of proceeds from the offering, without deduction of fees or amortization of costs. Such fees will be deducted from the proceeds when the Notes will be issued and the Notes will then be presented net of such fees in the financial statements.

(3) The 4.75% Notes were redeemed in full on August 1, 2017. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Redemption of the 4.75% Notes*."

(4) These amounts are net of unamortized upfront withheld costs and expenses.

(5) Represents the U.S. dollar amount of the SEK Bonds as presented in our statement of financial position as of June 30, 2017.

(6) No draws have been made under the Revolving Credit Facility.

(7) Does not include any of the events subsequent to June 30, 2017 discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*."

(8) The estimated impact on equity is comprised of the accelerated amortization of the remaining upfront costs on the 6.625% Notes combined with the tender premium on the redemption of the 6.625% Notes; assuming all investors would tender at the tender price.

(9) Capitalization refers to total debt plus total equity.

The following table presents certain events that have occurred after June 30, 2017 and that have had an impact we consider to be material on our cash and debt, in each case as further described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*."

	Cash and cash equivalents	Gross debt[1]
	(U.S. dollars in millions)	
June 30, 2017	**721**	**4,210**
Redemption of the 4.75% Notes[2]	(353)	(342)
Disbursement of the Paraguay IPS Facility[3]	66	66
Paraguay tower sale[4]	84	19
Termination of cross-currency swaps[5]	10	–

(1) Gross debt refers to our total debt and financing in our consolidated financial statements (without the Guatemala and Honduras joint ventures).

(2) Occurred on August 1, 2017.

(3) Occurred on July 4, 2017.

(4) Occurred on August 11, 2017.

(5) Effective as of August 30, 2017.

Selected historical financial data

Historical financial information

The following tables present summary selected historical financial data for the Millicom Group. The income statements for the Millicom Group set forth below for the years ended December 31, 2014, 2015 and 2016 and the statements of financial position set forth below as of December 31, 2014, 2015 and 2016 are derived from the Millicom Group's annual audited consolidated financial statements for fiscal 2014, fiscal 2015 and fiscal 2016 included elsewhere in this offering memorandum. The income statement data for the six-month periods ended June 30, 2016 and 2017 and the statement of financial position data as of June 30, 2017 are derived from the Millicom Group's 2017 unaudited interim condensed consolidated financial statements that are included elsewhere in this offering memorandum.

Our fiscal 2014, fiscal 2015 and fiscal 2016 consolidated financial statements included in this offering memorandum have been audited by Ernst & Young S.A. independent auditors (*cabinet de révision agréé*), as stated in its reports appearing herein. The 2017 unaudited interim condensed consolidated financial statements included in this offering memorandum have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein.

The Guatemala and Honduras joint ventures were fully consolidated in our financial statements for fiscal 2014 and 2015, as we had full control as a result of our governance arrangements and put and call options. The put and call options expired unexercised on December 31, 2015 and the Guatemala and Honduras operations were deconsolidated in our financial statements from that date. Although our ownership interests remain unchanged, our interests in the Guatemala and Honduras joint ventures are now accounted for under the equity method of accounting in our financial statements and results of operations for fiscal 2016, interim 2016 and interim 2017 (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*").

You should read this summary selected financial data together with "*Capitalization*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the consolidated financial statements and accompanying notes included in this offering memorandum. The historical results are not necessarily indicative of the Millicom Group's future results of operations or financial condition.

Selected consolidated income statements

	Year ended December 31,			Six months ended June 30,		Presentation
	2014[1]	2015[2][3]	2016[4]	2016[5]	2017[5]	LTM[4]
	(U.S. dollars in millions)					
Revenue	6,386	6,572	4,374	2,096	2,091	4,242
Cost of sales	(1,694)	(1,793)	(1,279)	(606)	(610)	(1,238)
Gross profit	**4,692**	**4,778**	**3,096**	**1,490**	**1,481**	**3,005**
Operating expenses	(2,599)	(2,590)	(1,781)	(839)	(829)	(1,710)
Depreciation	(920)	(1,035)	(744)	(355)	(362)	(725)
Amortization	(238)	(246)	(184)	(82)	(80)	(177)
Income from joint ventures, net	–	–	115	59	73	129
Other operating expenses	(11)	(64)	(20)	(3)	3	(12)
Operating profit	**924**	**843**	**482**	**269**	**287**	**511**
Interest expense	(426)	(425)	(394)	(181)	(207)	(417)
Interest and other financial income	22	22	22	7	10	25
Revaluation of previously held interests	2,250	–	–	–		–
Other non-operating (expenses) income, net	211	(624)	10	44	(9)	(43)
Income (loss) from associates, net	55	100	(49)	9	(39)	(97)
Profit (loss) before taxes from continuing operations	**3,036**	**(83)**	**71**	**149**	**42**	**(21)**
Charge for taxes	(256)	(278)	(180)	(84)	(82)	(178)
Profit (loss) for the year from continuing operations	**2,780**	**(361)**	**(109)**	**65**	**(40)**	**(199)**
Profit (loss) for the year from discontinued operations, net of tax	21	(83)	19	6	16	13
Net profit (loss) for the year	**2,801**	**(444)**	**(90)**	**71**	**(25)**	**(185)**
Attributable to:						
The owners of Millicom	2,643	(559)	(32)	77	(4)	(113)
Non-controlling interests	158	115	(58)	(6)	(20)	(72)

(1) The fiscal 2014 income statement information in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(2) The fiscal 2015 income statement information in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(3) The impact of accounting for Honduras and Guatemala under the equity method of accounting on the presentation of the fiscal 2015 consolidated income statement is shown in note A.2.2 of our fiscal 2016 consolidated financial statements.

(4) The fiscal 2016 income statement has not been re-presented; however, the consolidated income statement information for the twelve-months ended June 30, 2017 has been adjusted to show the Presentation LTM information, as shown in "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Information for the Twelve Months ended June 30, 2017*."

(5) The interim 2016 income statement information in this offering memorandum has been restated as a result of the completion of the fair value measurements of our investments in the Guatemala and Honduras joint ventures. The interim 2016 and interim 2017 income statement information in this offering memorandum also present Senegal as discontinued operations, as derived from our interim 2017 consolidated financial statements.

Selected consolidated statements of financial position

	December 31,			June 30,
	2014[1]	2015[2]	2016	2017
	(U.S. dollars in millions)			
Assets				
Non-current assets:				
Intangible assets, net	5,515	1,429	1,359	1,274
Property, plant and equipment, net	4,751	3,198	3,057	2,858
Investments in joint ventures	89	3,220	2,945	2,857
Investments in associates	185	376	331	300
Deferred tax assets	294	188	166	165
Definitive financial instruments	–	26	32	19
Other non-current assets	115	75	72	61
Total non-current assets	**10,949**	**8,512**	**7,961**	**7,534**
Current assets:				
Inventories, net	148	80	62	71
Trade receivables, net	492	398	387	364
Amount due from non-controlling interests, associates and joint ventures	325	16	17	12
Call options assets	74	–	–	–
Prepayment and accrued income	274	193	171	189
Current income tax assets	150	125	101	79
Supplier advances for capital expenditures	64	39	23	21
Other current assets	93	109	110	120
Restricted cash	128	142	145	142
Cash and cash equivalents	694	769	646	721
Total current assets	**2,442**	**1,871**	**1,661**	**1,721**
Assets held for sale[4]	27	12	5	240
Total assets	**13,418**	**10,395**	**9,627**	**9,495**
Equity and Liabilities				
Non-current liabilities:				
Debt and financing	4,565	3,789	3,821	3,756
Derivative financial instruments	43	65	84	–
Amounts due to associates and joint ventures	31	63	113	33
Provisions and other non-current liabilities	298	243	286	272
Deferred tax liabilities	184	50	57	57
Total non-current liabilities	**5,121**	**4,210**	**4,361**	**4,118**
Current liabilities:				
Debt and financing	358	221	80	453
Put option liabilities	2,260	–	–	–
Payables and accruals for capital expenditure	371	285	326	222
Other trade payables	386	334	297	242
Amounts due to non-controlling interests, associates and joint ventures	26	581	273	306
Accrued interest and other expenses	500	425	376	384
Current income tax liabilities	143	124	68	65
Derivative financial instruments	–	–	–	64
Provision and other current liabilities	521	487	477	461
Total current liabilities	**4,565**	**2,457**	**1,898**	**2,198**
Liabilities directly associated with assets held for sale	2	–	–	85
Total liabilities	**9,688**	**6,667**	**6,258**	**6,402**
Equity attributable to owners	2,339	3,477	3,167	2,915
Non-controlling interests	1,391	251	201	177
Total equity	**3,730**	**3,728**	**3,368**	**3,093**
Total equity and liabilities	**13,418**	**10,395**	**9,627**	**9,495**

(1) The fiscal 2014 statement of financial position in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(2) The fiscal 2015 statement of financial position in this offering memorandum has been re-presented as described under "*Presentation of Financial and Other Information—Financial Information*."

(3) Restricted cash primarily represents cash that is restricted based on local regulations in each country in which we operate our MFS business.

(4) Assets held for sale represents mainly towers sold but not yet transferred to the tower companies and not part of a sale-lease-back arrangement (as of December 31, 2014, 2015 and 2016), UNE spectrum to be returned to the Colombian government (as of December 31, 2014 and 2015) and the assets and liabilities of our Senegal operations that were transferred to assets held for sale following the February 7, 2017 sale announcement (as of June 30, 2017).

Management's discussion and analysis of financial condition and results of operations

The following discussion of the Millicom Group's financial condition and results of operations should be read in conjunction with the Millicom Group's audited financial statements for fiscal 2014, 2015 and 2016 and the unaudited financial statements for the six-month period ended June 30, 2017, and the notes thereto, included elsewhere in this offering memorandum.

*The following discussion contains forward-looking statements that involve risks and uncertainties. The Millicom Group's actual results may differ materially from those discussed in forward-looking statements as a result of various factors, including those set forth in "*Cautionary Statement Regarding Forward-Looking Statements*" and "*Risk Factors*."*

References in this section to "we," "our," "ours," "us" or similar terms refer to MIC S.A. together with its consolidated subsidiaries.

Overview

We are a leading telecommunications group operating in Latin America and Africa. We provide a wide range of mobile and fixed communications services, including voice and SMS, high-speed data, cable television, mobile financial services, and business solutions. We market our services under our Tigo brand to consumer, business, and wholesale customers. We hold either the number one or number two position in 8 of our 10 mobile markets and 5 of our 7 cable and broadband markets. As of June 30, 2017, we provided services to 54.6 million mobile customers and 3.2 million cable and broadband households.

Recent developments

Redemption of the 4.75% Notes

On June 30, 2017, we issued an irrevocable redemption notice for all outstanding 4.75% senior notes due 2020 (the "4.75% Notes"). Following the completion of a tender offer in December 31, 2016, $341 million in principal amount of the 4.75% Notes was outstanding on the redemption date. The redemption price (including the redemption premium) was $353 million, which we paid on August 1, 2017 using cash in hand. Following their redemption, the 4.75% Notes were cancelled and delisted.

Termination of cross currency swaps

On August 30, 2017, we terminated two forward cross currency swaps to sell Euros and receive U.S. dollars to hedge against exchange rate fluctuations in connection with the downstreaming of proceeds from the 4.75% Notes to MIC S.A.'s subsidiaries in Senegal. These cross currency swaps were issued for a nominal amount of €134 million and were scheduled to mature in 2020. We received payments of $9.8 million from our counterparties in connection with the early termination of these swaps.

Paraguay IPS Facility

On July 4, 2017, Telecel Paraguay entered into a PYG 367 billion (which was $66 million on that date) loan and guarantee agreement with Instituto de Prevision Social (the "Paraguay IPS Facility"), for a five-year tenor with a variable interest rate of 9.75% per annum and a semi-annual capital and interest repayment schedule. The loan facility is supported by a guarantee (Fianza) given by Inter-American Investment Corporation ("IIC"), agent of Inter-American Development Bank, for the benefit of Instituto de Prevision Social (the "IIC Guarantee"). Under the terms of the IIC Guarantee, interest is payable by IIC at a rate of 2.25% per annum in respect of the outstanding amount under the loan facility in addition to a one-off fee of 0.5% of the amount of the loan. As of July 4, 2017, the full amount was outstanding under the loan facility.

On July 4, 2017, MIC S.A. entered into a guarantee agreement with IIC (the "Telecel Paraguay Guarantee") pursuant to which it provided a guarantee (not merely as surety) of any and all amounts that Telecel Paraguay is required to pay to IIC as reimbursement for amounts paid by IIC

under the IIC Guarantee, pursuant to the terms of the loan facility and any interest and late charges on that amount which are not paid when due. The Telecel Guarantee will remain in force until Telecel Paraguay's obligations under the terms of the loan facility have been performed in full.

Acquisitions

Acquisition of TV Cable Parana

On January 6, 2017, our Paraguay operations completed the acquisition of pay-TV providers TV Cable Parana, Cable 3 Fronteras, S.A. and Get Line Internet, S.A. for a total consideration of $18 million, net of cash acquired. The purchase accounting was finalized in March 2017, and the purchase price was mainly allocated to a customer list ($14 million) and to other tangible and intangible fixed assets ($3 million). The final goodwill amounted to $1 million.

Acquisition of Zantel

On June 4, 2015, we entered into an agreement to purchase 85% of Zantel, the telecommunications provider operating mainly in Zanzibar. The agreed purchase consideration was $1, subject to final price adjustment, and included a shareholder loan. In addition, we assumed Zantel's debt obligations. The transaction was completed on October 22, 2015. The deal also included a reverse earn-out mechanism based on Zantel's achievement of EBITDA targets for the period from 2017 to 2019. Zantel has a strong network infrastructure and operates mainly in Zanzibar while MIC Tanzania focuses on mainland Tanzania. See "*Our Business—Regional Operations—Africa—Tanzania*."

Dispositions

Sale of towers in Colombia

On July 17, 2017, our Colombia operation, Colombia Móvil, S.A. E.S.P., agreed to sell 1,207 towers to a subsidiary of American Tower Corporation for a total cash consideration of up to COP 448 billion (approximately $153 million). See "*Our Business—Our Services and Market Position—Tower Infrastructure—Colombia*."

Sale of towers in Paraguay

On April 25, 2017, we agreed to sell and lease-back 1,400 wireless communications towers in Paraguay to a subsidiary of American Tower Corporation, the global provider of wireless communications infrastructure, for a total cash consideration of up to PYG 700 billion (approximately $124 million). The first closing of 836 towers occurred on August 11, 2017 and American Tower Company paid PYG 426 billion (which was $84 million on that date). See "*Our Business—Our Services and Market Position—Tower Infrastructure—Paraguay*."

Sale of towers in Tanzania

On September 6, 2016, Zantel agreed to sell approximately 200 of its towers on the mainland to a Helios entity for a total cash consideration of up to $6.7 million. The first closing of 86 towers occurred on July 28, 2017 and the Helios entity paid $4.2 million. See "*Our Business—Our Services and Market Position—Tower Infrastructure—Tanzania*."

Sale of Sentel Senegal

On February 2, 2017, we agreed to sell our Senegal business to Wari Group, the financial services company, for a cash consideration of $129 million, subject to regulatory approvals. We have accounted for the Senegal business as a discontinued operation since that date. However, on July 28, 2017, we exercised our right to terminate that agreement, and we instead agreed to sell our Senegal business to a consortium consisting of NJJ, Sofima (managed by the Axian Group) and Teylium Group, subject to customary closing conditions and regulatory approvals. Our Senegal business represented $127.5 million, or 2.0%, of our total revenue in fiscal 2016.

Ghana combination

On March 3, 2017, we agreed with Bharti Airtel Africa B.V., one of our competitors in Ghana, to combine our respective operations in Ghana. The agreement provides that we and Airtel will have equal ownership and governance rights in the combined entity. Completion of the transaction is subject to obtaining regulatory approvals and customary closing conditions. After closing, we intend to account for the combined business under the equity method of accounting (as a joint venture) and will no longer fully consolidate the results of our Ghana operations in our consolidated financial statements. Our Ghana operations represented $141.9 million, or 2.3%, of our total revenue in fiscal 2016.

Sale of DRC operations

On February 8, 2016, we agreed to sell our businesses in the DRC to Orange S.A., one of our competitors in DRC, for a total cash consideration of $160 million, adjusted for working capital movements and including $10 million of cash hold-back subject to the completion of the disposal of the mobile financial services business ("DRC Mobile Cash"). We have accounted for our DRC operations as discontinued operations since that date. The transaction was completed in respect of the mobile business on April 20, 2016. The separate disposal of DRC Mobile Cash was completed in September 2016.

Factors affecting comparability of prior periods

Guatemala and Honduras joint ventures

As discussed below, developments with the Guatemala joint venture (55% ownership interest) and the Honduras joint venture (66.7% ownership interest) have resulted in our application of significantly different accounting treatments for these operations in fiscal 2014, fiscal 2015 and fiscal 2016 (and thereafter).

With effect from July 1, 2010 (Honduras) and January 1, 2014 (Guatemala), we reached agreements with our respective local partners whereby the local partners granted us an unconditional call option for a duration of five years (Honduras) and two years (Guatemala) for their respective stakes in the Guatemala and Honduras joint ventures. At the same time, and as a consideration for the call options, we granted put options for the same duration to our local partners.

Accordingly, we concluded that we had full control over the joint ventures as a result of our governance arrangements and the put and call options, requiring us to fully consolidate Honduras in fiscal 2010 and Guatemala in fiscal 2014. As a result, we revalued our previously held interest in the Guatemala joint venture to fair value, as described in note 4 to our fiscal 2014 audited consolidated financial statements, and recognized a gain of $2,250 million, which is recorded under 'revaluation of previously held interest' in our fiscal 2014 consolidated income statement.

The put and call options expired unexercised on December 31, 2015. As a consequence, the Guatemala and Honduras operations were deconsolidated from that date and our investments in Guatemala and Honduras have since been accounted for under the equity method of accounting. On December 31, 2015, the operations were initially accounted for at fair value ($2.2 billion for Guatemala and $1.0 billion for Honduras), resulting in a $391 million loss on the deconsolidation of these operations, including a $192 million recycling of foreign currency exchange losses accumulated in equity, which was recorded under "Other non-operating income (expenses), net." The fair values of the Guatemala and Honduras joint ventures were determined based on a discounted cash flow calculation.

From December 31, 2015, we report our share of the net income of the Guatemala and Honduras joint ventures in the income statement in the caption "Income (loss) from associates, net" since January 1, 2016. When the put options expired, $2,135 million of put option liabilities terminated as of December 31, 2015. The carrying values of both put option liabilities were settled against the put option reserve within equity for $2,512 million (which was the amount recognized at inception) and against retained profits for the residual difference of $(377) million as of December 31, 2015.

The following tables summarize financial information for the Guatemala and Honduras joint ventures for fiscal 2015 and fiscal 2016. This information is based on amounts before inter-company eliminations.

Guatemala[1]

	Fiscal 2015	Fiscal 2016
	(U.S. dollars in millions)	
Statement of income		
Revenue	**1,306**	**1,284**
Cost of sales[2]	(258)	(252)
Gross profit	**1,048**	**1,033**
Operating expenses	(396)	(401)
Depreciation and amortization	(232)	(281)
Other operating income (expenses), net[3]	(1)	(21)
Operating profit	**419**	**330**
Financial income (expenses), net	(64)	(73)
Other non-operating income (expenses), net	–	4
Profit before taxes	**355**	**261**
Charge for taxes, net	(77)	(67)
Profit for the year	**278**	**194**
Net profit for the year attributable to Millicom	**130**	**106**
45% non-controlling interest in net profit	(125)	–
Consolidation adjustments	(23)	–
Non-controlling interest in net profit for Guatemala	(148)	–
Dividends and advances paid to Millicom	216	77
Statement of financial position		
Total assets (excluding goodwill)	2,937	3,077
Total liabilities	1,289	1,251
Net assets	**1,648**	**1,826**
Cash Flows		
Net cash from operating activities	525	438
Net cash from (used in) investing activities	(658)	(236)
Net cash from (used in) financing activities	195	(65)
Exchange impact on cash and cash equivalents, net	1	(3)
Net increase in cash and cash equivalents	**63**	**134**

(1) Includes all operations under the combined Guatemala group.

(2) Includes provisions for impairment of (fiscal 2015: $18 million; fiscal 2016: $24 million) related to the video surveillance contracts with the Civil National Police. No revenue has been recognized from these contracts from July 1, 2016, as further discussed under "*—Operating Results—Six Months Ended June 30, 2016 and 2017—Revenue—Latin America*."

(3) Includes an impairment of $18 million in fiscal 2015 on the fixed assets bought in the context of the video surveillance contracts.

Honduras(*)

	Fiscal 2015	Fiscal 2016
	(U.S. dollars in millions)	
Statement of Income		
Revenue	**649**	**609**
Cost of sales	(159)	(142)
Gross profit	**490**	**467**
Operating expenses	(207)	(249)
Depreciation and amortization	(124)	(160)
Other operating income (expenses), net	–	(3)
Operating profit	**159**	**54**
Financial income (expenses), net	(22)	(27)
Other non-operating income (expenses), net	(45)	(14)
Profit before taxes	92	13
Charge for taxes, net	(51)	–
Profit for the year	**41**	**13**
Net profit for the year attributable to Millicom	**21**	**9**
33.33% non-controlling interest in net profit	(14)	–
Consolidation adjustments	(6)	–
Non-controlling interest in net profit for Honduras	(20)	–
Dividends and advances paid to Millicom	42	66
Statement of financial position		
Total assets (excluding goodwill)	950	902
Total liabilities	625	691
Net assets	**325**	**210**
Cash Flows		
Net cash from operating activities	175	85
Net cash from (used in) investing activities	(180)	(17)
Net cash from (used in) financing activities	6	(69)
Net (decrease) increase in cash and cash equivalents	**1**	**(1)**

(*) Includes all operations under the combined Honduras group.

UNE Transaction

On August 14, 2014, we completed a merger of Millicom Spain Cable S.L., a Millicom Group company owning our shares in Colombia Móvil, into UNE, which at the time of the merger held $860 million in cash and the remaining interest in Colombia Móvil (the "UNE Transaction"). As a result of this merger, we own 50% plus one voting share of UNE's voting share capital (and 50% minus one share of UNE's economic share capital), and Empresas Públicas de Medellín E.S.P. owns 50% minus one voting share of UNE's voting share capital (and 50% plus one share of UNE's economic share capital). The interest of Colombia Móvil's other minority owner, Empresa de Telecomunicaciones de Bogotá, in Colombia Móvil was purchased by UNE prior to the merger, allowing our network in Colombia to beneficially own 100% of Colombia Móvil after the merger.

Since the UNE Transaction, UNE's financial results have been included in our consolidated financial statements. Our fiscal 2014 financial statements do not include any income statement or cash flow statement data for the period prior to completion of the UNE Transaction.

Foreign currency

The U.S. dollar is the presentation currency for the financial information in our financial statements. Our consolidated financial statements of our operations are measured using the

currency of the primary economic environment of our operations (the "functional currency"). Except for El Salvador, where the functional currency is the U.S. dollar, the functional currency in other countries is the local currency.

The results and financial position of our operations (except El Salvador) are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate on the statement of financial position date;
- income and expenses generally are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity ("currency translation reserve"), in the caption "Other reserves."

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When we dispose of or lose control over an operation, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on sale or loss of control. Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Exchange rate fluctuations may have a material adverse effect on our earnings, assets or cash flows when translating functional currency into our U.S. dollar reporting currency. A decrease in the value of a functional currency against the U.S. dollar reduces our profits as well as our assets and our liabilities. To the extent that our operations retain earnings or distribute dividends in local currencies, the amount of U.S. dollars we receive is affected by exchange rate fluctuations of those currencies against the U.S. dollar. In addition, exchange rates impact our earnings and cash flows due to U.S. dollar denominated debt held at the local operational level where local currency borrowing facilities are either not available or cannot be obtained under commercially acceptable terms. We only hedge our foreign currency exposure to the extent not doing so would adversely impact our ability to protect cash flow generation but our ability to find attractively priced and liquid instruments in the countries where we operate is limited by the depth of the local financial markets where we operate. In fiscal 2016, we had net foreign exchange gains of $16 million.

The following table presents the functional currency translation rates for our operations to the U.S. dollar as of December 31, 2015 and 2016, and September 1, 2017, and the percentage change between December 31, 2015 and December 31, 2016.

Exchange rates to the U.S. dollar	Functional currency	December 31, 2015 rate	2016 average rate	December 31, 2016 rate	Percentage change	September 1, 2017 rate
Bolivia	Boliviano (BOB)	6.91	6.91	6.91	–	6.91
Chad and Senegal	CFA Franc (XAF)	609.96	600.08	626.14	2.65%	555.12
Colombia	Peso (COP)	3,149.47	3,048.51	3,000.71	(4.72)%	2,931.00
Costa Rica	Costa Rican Colon (CRC)	544.87	551.47	561.10	2.98%	576.24
Ghana	Cedi (GHS)	3.80	3.92	4.20	10.53%	4.42
Guatemala	Quetzal (GTQ)	7.63	7.61	7.52	(1.44)%	7.3
Honduras	Lempira (HNL)	22.43	22.92	23.59	5.17%	23.38
Paraguay	Guarani (PYG)	5,806.91	5,685.89	5,766.93	(0.69)%	5,663.80
Rwanda	Rwandan Franc (RWF)	747.41	786.82	819.79	9.68%	844.96
Tanzania	Shilling (TZS)	2,159.00	2,183.35	2,181.00	1.02%	2,244.03

Financial information for the twelve months ended June 30, 2017

The following table presents the adjustments to our selected consolidated income statement for the twelve months ended June 30, 2017 necessary to derive the Presentation LTM Information. We have derived the Presentation LTM by adding the Re-Presented 2016 information (which is the fiscal 2016 income statement information adjusted to eliminate our Senegal discontinued operations, as shown in the table below) to the income statement information from our interim 2017 consolidated financial statements, and then subtracting the income statement information from our interim 2016 consolidated financial statements, as shown in the table below. The Re-Presented 2016 and Presentation LTM information has been prepared for illustrative purposes only and is not necessarily representative of our results for any future period or our financial condition at any such date. These presentations have not been audited.

	Year ended December 31, 2016	Adjustments for Senegal	Re-Presented 2016	Six months ended June 30, 2016	Six months ended June 30, 2017	Presentation LTM
	(U.S. dollars in millions)					
Revenue	4,374	(128)	4,247	2,096	2,091	4,242
Cost of sales	(1,279)	45	(1,234)	(606)	(610)	(1,238)
Gross profit	**3,096**	**(82)**	**3,013**	**1,490**	**1,481**	**3,005**
Operating expenses	(1,781)	62	(1,720)	(839)	(829)	(1,710)
Depreciation	(744)	26	(718)	(355)	(362)	(725)
Amortization	(184)	4	(180)	(82)	(80)	(177)
Income from joint ventures, net	115	–	115	59	73	129
Other operating Income (expense), net	(20)	2	(17)	(3)	3	(12)
Operating profit	**482**	**12**	**494**	**269**	**287**	**511**
Interest expense	(394)	3	(391)	(181)	(207)	(417)
Interest and other financial income	22	–	22	7	10	25
Other non-operating (expenses) income, net	10	1	11	44	(9)	(43)
Income (loss) from associates, net	(49)	–	(49)	9	(39)	(97)
Profit (loss) before tax from continuing operations	**71**	**15**	**86**	**149**	**42**	**(21)**
(Charge) credit for taxes	(180)	0	(180)	(84)	(82)	(178)
Profit for the year from continuing operations	**(109)**	**15**	**(94)**	**65**	**(40)**	**(198)**
Profit (loss) for the year from discontinued operations, net of tax	19	(15)	3	6	16	13
Net profit for the year	**(90)**	**–**	**(90)**	**71**	**(25)**	**(185)**

Key factors affecting the Millicom Group's business

Our performance and results of operations have been and will continue to be affected by a number of factors, including external factors. Certain of these key factors that have had, or may have, an effect on the results of our operations are set forth below.

In this section we present all the group's subsidiaries and joint ventures, whether fully consolidated or accounted for under the equity method in our consolidated financial statements. All **financial figures** are shown as indicated in our consolidated financial statements, unless otherwise indicated (including presentations of 'underlying' figures, for which reconciliations are provided below). All key performance indicators that are not derived from our consolidated financial statements and are presented in this offering memorandum (such as customer numbers and presentations related to or derived from customer numbers, including ARPU numbers) for all periods presented include 100% of the operations in Guatemala and Honduras, but exclude our discontinued operations in Senegal and DRC, notwithstanding the differing accounting treatment which may apply to figures contained in or derived from our consolidated financial statements.

Drivers for revenue growth

We generate service revenue mainly from subscription and usage fees associated with the voice and broadband, pay-TV, entertainment, financial and other VAS that we provide to our customers. We also generate interconnection, roaming and other revenue through commercial and interconnection agreements with other network operators, including MVNOs. Finally, we generate revenue from the sale of telephone and other equipment sales.

We generally seek to increase our revenue by growing our high speed data networks (4G in mobile and HFC in Home), increasing our customers' addressable footprint and by introducing new products and services, such as faster connectivity speeds, new content and other value-added services to increase revenue per customer, which we measure using ARPU. Our results of operations are therefore dependent on both the size of our customer base and on their ARPU.

Our monthly B2C mobile ARPU was $5.51 for the six-month period ended June 30, 2017, a decrease from $5.73 for the six-month period ended June 30, 2016. The decrease mostly reflects the impact of mandated reductions to interconnection, roaming and wholesale tariffs in Colombia (as discussed under "*Telecommunications Regulations—Latin America—Colombia*"), as well as lower voice and SMS traffic, which was only partially offset by the growth of mobile data subscribers. The increase in value-added taxes during the fourth quarter of 2017 in Colombia also impacted our B2C mobile ARPU during the six-month period ended June 30, 2017, as compared to the six-month period ended June 30, 2016.

Our Home ARPU has increased from $26.86 for the six-month period ended June 30, 2016, to $27.95 for the six-month period ended June 30, 2017. The increase mostly reflects price increases which were intended to pass through inflation, as well as customer upgrades to faster broadband speeds and higher-tiered packages for pay-TV.

Customers

Total mobile customers

Our total mobile customer base as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions)				
Latin America	**30.9**	**32.6**	**32.0**	**32.6**	**32.9**
of which are mobile data subscribers	10.2	12.0	13.7	12.0	14.2
of which are 4G customers	–	0.9	3.4	1.9	4.7
Africa	**17.3**	**21.6**	**221.7**	**21.8**	**21.7**
of which are MFS customers	5.5	6.7	7.8	7.2	8.1
Total	**48.2**	**54.2**	**53.8**	**54.4**	**54.6**

Our worldwide total mobile customer base remained stable at 54.4 million as of June 30, 2016 and 54.6 million as of June 30, 2017.

In Latin America, net new customers were 183,360 for the twelve months ended June 30, 2017, as compared to 982,173 for the twelve months ended June 30, 2016 and total mobile customers increased by 0.9% from 32.6 million as of June 30, 2016 to 32.9 million as of June 30, 2017. The reduction in the growth of net new customers mainly came from the disconnection of 750,000 inactive customers in Colombia and net new customers would have been 933,360 for the twelve months ended June 30, 2017 discounting these disconnections.

In Africa, total mobile customers declined slightly from 21.8 million as of June 30, 2016 and 21.7 million as of June 30, 2017.

B2C mobile customers

Our B2C mobile customer base as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions)				
Latin America	**29.8**	**31.4**	**30.9**	**31.5**	**31.7**
of which are mobile data subscribers	9.6	11.4	13.1	11.4	13.4
of which are 4G customers	–	0.9	3.4	1.9	4.7
Africa	**17.2**	**21.5**	**21.5**	**21.6**	**21.4**
of which are MFS customers	5.5	6.7	7.8	7.2	8.1
Total	**47.0**	**33.0**	**52.4**	**53.2**	**53.1**

Our total B2C mobile customer base remained stable at 53.2 million as of June 30, 2016 and 53.1 million as of June 30, 2017.

B2B mobile customers

Our B2B mobile customer base as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions)				
Latin America	1.1	1.1	1.1	1.1	1.2
Africa	0.1	0.1	0.2	0.1	0.3
Total	**1.2**	**1.2**	**1.4**	**1.2**	**1.5**

Latin America

Our B2C mobile customer base in Latin America as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions)				
Bolivia	3.1	3.0	3.0	2.9	3.0
Colombia	7.8	8.7	7.5	8.8	7.8
El Salvador	2.8	2.9	3.1	2.9	3.3
Guatemala	8.2	8.6	9.3	8.9	9.7
Honduras	4.4	4.6	4.7	4.6	4.7
Paraguay	3.6	3.6	3.4	3.5	3.2
Total	**29.8**	**31.4**	**30.9**	**31.5**	**31.7**

In Bolivia, we had 3.0 million B2C mobile customers as of June 30, 2017, an increase of 0.5%, or approximately 183,000 customers, from June 30, 2016.

In Colombia, we had 7.8 million B2C mobile customers as of June 30, 2017, a decrease of 11.8%, or 1.0 million customers, from June 30, 2016, due to increased competition and as a result of the removal of 750,000 inactive customers from our customer base. From June 30, 2016 to June 30, 2017, we increased the number of 4G customers on our network by 82.9% to 1.4 million, despite the contraction of our overall B2C mobile customer base.

In El Salvador, we had 3.3 million B2C mobile customers as of June 30, 2017, an increase of 13.5%, or approximately 390,000 customers, from as of June 30, 2016. We believe that the increase was due to the availability of cheaper smartphones and attractive data plans.

In Guatemala, we had 9.7 million B2C mobile customers as of June 30, 2017, an increase of 9.7%, or approximately 860,000 customers, from as of June 30, 2016. We believe that the increase was due to the availability of cheaper smartphones and attractive data plans.

In Honduras, we had 4.7 million B2C mobile customers as of June 30, 2017, an increase of 3.0%, or approximately 135,000 customers, as of June 30, 2016.

In Paraguay, we had 3.2 million B2C mobile customers as of June 30, 2017, a decrease of 4.2%, or approximately 288,000 customers, from as of June 30, 2016. The decrease was due to management's increased focus to higher value customers from very low ARPU customers that were acquired through pricing promotions. In the second quarter of 2017, we added 74,000 4G users, bringing the total to 413,000 equal to 12% of our base.

Our mobile data and 4G customer base in Latin America as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
			(in millions)		
Mobile data customer base	–	11.4	13.1	11.4	13.4
4G customer base	–	0.9	3.4	1.9	4.7

Our mobile data penetration reached 43.0% as of June 30, 2017, up from 36.9% as of June 30, 2016, and 4G penetration accelerated from 5.8% to 14.8% over the same period. We have made substantial strides in the number of our 4G users across our Latin American markets. As of June 30, 2017, we had 4.7 million 4G customers in Latin America, a substantial increase from 1.9 million 4G customers as of June 30, 2016, due, in part, to the introduction of 4G services in Guatemala and Paraguay during fiscal 2016 and El Salvador during the first half of fiscal 2017. The expansion of our 4G network and the concurrent growth of our 4G customer base remain a key area of strategic focus; as customers upgrade from 3G to 4G, we observe a meaningful increase in their data consumption and ARPU.

Africa

Our B2C mobile customer base in Africa as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
			(in millions)		
Chad	2.7	3.0	3.1	3.1	3.2
Ghana	3.8	4.0	3.9	3.9	4.0
Rwanda	2.5	2.7	2.9	2.7	2.9
Tanzania	8.2	10.4	10.6	10.7	10.5
Tanzania (Zantel)	–	1.4	1.0	1.2	0.8
Total	**17.2**	**21.5**	**21.5**	**21.6**	**21.4**

In Africa, we had 21.4 million B2C mobile customers as of June 30, 2017, a reduction of approximately 200,000 customers from the six-month period ended June 30, 2016, primarily due to the introduction of new rules in Tanzania concerning mandatory SIM card registration that required all operators to remove non-registered customers from our customer base and also impacted our ability to add new customers. The entry of a new competitor in 2015 in Tanzania also impacted our customer growth for our Tanzania operations in 2016 and the six months ended June 30, 2017. The decline in B2C mobile customers in Tanzania was partially offset by continued growth in new customers in Chad, Ghana and Rwanda. Our African customers are also increasing their use of mobile data. As of June 30, 2017, we had 6.9 million mobile data subscribers across Africa, a 23.2% increase from 5.6 million mobile data subscribers as of June 30, 2016.

Home customers

Our Home business passed 8.6 million homes in Latin America, and we have connected 3.2 million homes to our HFC network as of June 30, 2017. We offer our Home customers a full suite of services, including cable TV, fixed telephone, fixed broadband and other digital services. Our pay-TV services are generally the first point of entry into our customers' homes, which allows us to increase our penetration by offering internet and mobile services, as well. However, this trend is changing, with our customer base growing faster for high-speed data than for pay-TV. Providing more than one service to our customers typically creates a stronger brand affinity and generates lower churn. We continue to invest in our network in order to expand our reach, as measured by the number of homes we pass and connect, and in our capacity to offer faster speeds and more services. We are specifically focused on expanding our HFC network, and we have set a goal to increase our number of homes passed by 1.0 million during 2017.

Total homes passed, HFC homes passed and HFC homes connected for our Latin American Home businesses (including the Guatemala and Honduras joint ventures) as of December 31, 2014, 2015 and 2016 and June 30, 2016 and 2017 was as follows:

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions)				
Total homes passed	**7.1**	**7.6**	**8.1**	**7.8**	**8.6**
HFC homes passed	5.6	6.4	7.2	6.7	7.9
HFC homes connected	2.9	3.0	3.1	3.0	3.2

Capital expenditures are aimed at expanding our footprint and improving our networks

We are focused on building high speed data networks to offer fixed and mobile data connectivity. We consistently seek to improve the quality and increase the coverage of our mobile and cable networks, which requires purchasing new licenses and spectrum, investing in new infrastructure, and modernizing and upgrading our networks and IT systems. We have budgeted capital expenditures for 2017 in line with 2016.

In fiscal 2016, we invested $0.8 billion in capital expenditure excluding spectrum, a 23% decrease from fiscal 2015, and represented 18% of our total revenue for fiscal 2016. The reduction in capital expenditure was due to a disciplined capital allocation to 4G networks, HFC network rollout and IT infrastructure. We also invested $89 million to acquire spectrum and renew licenses, an increase of $43 million from fiscal 2015.

Competitive, regulatory and technology substitution pressures on pricing

The markets in which we operate are competitive in nature, and we expect that competition will remain intense. Mobile telecommunications operators compete for customers principally on the basis of price, quality and reliability of service, network coverage area, services offered, distribution reach and brand image.

The prices we are permitted to charge our customers are also heavily regulated, and regulatory measures can often reduce profitability and accentuate competitive pressures. For example, in Colombia, regulations implemented over the past two years has made it commercially unviable to subsidize our mobile customers' handsets, which has slowed down our customers' access to affordable smart phones. Also, in Paraguay, unused monthly data allowances can be retained for future use by our customers, and we can no longer set an expiration date on for prepaid voice minutes or SMS bundles. Additionally, in April 2017, pricing caps were put in place for MVNO and national roaming tariffs in Colombia. See "*Telecommunications Regulations—Latin America—Colombia*". Changes such as these require us to constantly monitor and review our pricing plans and commercial offers to ensure that we can continue to generate attractive rates of return on the capital we employ in each of our markets.

Technology, networks and usage habits of our customers are constantly evolving. In recent years, the deployment of data-centric networks, and of 4G LTE technology in particular, has facilitated customer adoption of a very wide variety of data services. We typically price our data services based on segmented levels of data consumed, and thus the amount of revenue we generate from data services tends to grow alongside the growth in the amount of data traffic on our network. However, some of these data services can be viewed as substitutes for our traditional voice and SMS services and increases the pricing pressure already felt from regulatory measures and competition. Our voice and SMS services still generate a large portion of our total revenue, and together they represented 60.7% of our revenue in fiscal 2014, 52.8% in 2015, 46.8% in 2016 and 41.4% in the six-month period ended June 30, 2017.

'Project Heat'

We are implementing several long-term restructuring and efficiency initiatives that we believe will produce future cost savings and efficiencies but may include one-off costs and expenses to implement. These initiatives have been grouped under 'Project Heat', which we launched in fiscal 2015 and which includes the optimization of our billing platform and other customer-facing platforms, among others. We are implementing 82 initiatives in areas like procurement, network maintenance and IT in all of our Latin American markets. A few examples of initiatives are:

- we have implemented managed services in four operations;
- we have decommissioned 400 radio sites to optimize and lower the cost of managing our mobile network;
- we have upgraded the hardware that runs our networks in order to lower our power consumption; and
- we have standardized and centralized the procurement of SIM cards.

Operating results

Six months ended June 30, 2016 and 2017

The following table sets forth certain income statement items for the periods indicated:

	Six months ended June 30,			
	2016	2017	Amount of variation	Percentage change
	(U.S. dollars in millions, except percentages)			
Revenue	2,096	2,091	(5)	0%
Cost of sales	(606)	(610)	(4)	1%
Gross profit	**1,490**	**1,481**	**(8)**	**(1)%**
Operating expenses	(839)	(829)	10	(1)%
Depreciation	(355)	(362)	(7)	2%
Amortization	(82)	(80)	2	(3)%
Income from joint ventures, net	59	73	15	25%
Other operating income (expense),net	(3)	3	5	(203)%
Operating profit	**269**	**287**	**17**	**6%**
Interest expense	(181)	(207)	(26)	14%
Interest and other financial income	7	10	3	43%
Revaluation of previously held interests	–	–	–	–
Other non-operating (expenses) income, net	44	(9)	(53)	(121)%
Income (loss) from associates, net	9	(39)	(48)	(523)%
Profit before tax from continuing operations	**149**	**42**	**(107)**	**(72)%**
Charge for taxes	(84)	(82)	2	(2)%
Profit (loss) for the year from continuing operations	**65**	**(40)**	**(105)**	**(162)%**
Profit (loss) for the year from discontinued operations, net of tax	6	16	10	161%
Net profit (loss) for the period	**71**	**(25)**	**(95)**	**(135)%**

The following table sets forth the reconciliation of certain income statement items to the "underlying" figures, showing the adjustments to present the effect on such income statement items of including 100% of the Guatemala and Honduras joint ventures and the elimination of our DRC and Senegal operations for the periods indicated.

	Six months ended June 30,		Amount of variation	Percentage change
	2016	2017		
	(U.S. dollars in millions, except percentages)			
Revenue:				
Latin America	2,657	2,674		
Africa	382	347		
Revenue (underlying)	**3,039**	**3,022**	**(18)**	**(1)%**
Adjustment for Guatemala and Honduras	(944)	(931)		
Revenue	**2,096**	**2,091**	**(5)**	**0%**
Cost of sales:				
Latin America	(699)	(693)		
Africa	(104)	(96)		
Unallocated	2	3		
Cost of sales (underlying)	**(801)**	**(786)**	**14**	**(2)%**
Adjustment for Guatemala and Honduras	196	177		
Cost of sales	**(606)**	**(610)**	**(4)**	**(1)%**
Gross profit:				
Latin America	1,958	1,981		
Africa	278	251		
Unallocated	2	3		
Gross profit (underlying)	**2,239**	**2,235**	**(4)**	**0%**
Adjustments for Guatemala and Honduras	(749)	(755)		
Gross profit	**1,490**	**1,481**	**(9)**	**(1)%**
Operating profit:				
Latin America	470	470		
Africa	31	26		
Unallocated	(80)	(74)		
Operating profit (underlying)	**421**	**421**	**(0)**	**0%**
Adjustments for Guatemala and Honduras	(152)	(135)		
Operating profit	**269**	**287**	**17**	**6%**
Profit before tax from continuing operations:				
Latin America	293	265		
Africa	(36)	(17)		
Unallocated	(16)	(102)		
Profit before tax from continuing operations (underlying)	**241**	**145**	**(96)**	**(40)%**
Adjustment for Guatemala and Honduras	(92)	(103)		
Profit before tax from continuing operations	**149**	**42**	**(107)**	**(72)%**
Charge for taxes:				
Latin America	(89)	(79)		
Africa	(7)	(5)		
Unallocated	(31)	(41)		
Charge for taxes (underlying)	**(126)**	**(124)**	**2**	**(2)%**
Adjustment for Guatemala and Honduras	42	42		
Charge for taxes	**(84)**	**(82)**	**2**	**(2)%**
Net profit for the year:				
Latin America	204	186		
Africa	(37)	(6)		
Unallocated	(47)	(143)		
Net profit for the year (underlying)	**121**	**37**	**(84)**	**(69)%**
Adjustment for Guatemala and Honduras	(50)	(61)		
Net profit for the year	**71**	**(25)**	**(95)**	**(135)%**

Revenue

Our service revenue relates to the provision of our ongoing services, such as monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, MFS commissions, as well as fees from other telecommunications services, such as data services, SMS and other value-added services. Mobile data revenue is revenue that relates exclusively from our provision of data services. Our Home revenue stems from the provision of our fixed residential service, such as broadband internet and pay-TV. Service revenue excludes telephone and equipment sales in each of our three business units.

Our revenue for the six months ended June 30, 2017 was $2,091 million, a slight decrease from $2,096 million in the six months ended June 30, 2016. Our underlying revenue for the six months ended June 30, 2017 was $3,022 million, a decrease of 0.6% from $3,039 million in the six months ended June 30, 2016.

	Six months ended June 30,		Percentage change
	2016	2017	
	(U.S. dollars in millions, except percentages)		
Latin America			
Total revenue	2,657	2,674	0.6%
Service revenue	2,467	2,497	1.2%
B2C Mobile	1,511	1,469	(2.8)%
of which B2C mobile data	520	637	22.4%
Home	505	556	10.1%
B2B	433	453	4.5%
Others	18	19	5.1%
Africa			
Total revenue	382	347	(9.0)%
Service revenue	379	346	(8.7)%
Total revenue (underlying)	**3,039**	**3,022**	**(0.6)%**
Adjustment for Guatemala and Honduras	(944)	(931)	(1.4)%
Total revenue	**2,096**	**2,091**	**(0.2)%**

Latin America

Revenue from our Latin American operations in the six-month period ended June 30, 2017 was $2,674 million, an increase of $16 million, or 0.6%, from $2,657 million in the six-month period ended June 30, 2016.

As of June 30, 2017, we had 31.7 million B2C mobile customers, 14.2 million mobile data B2C customers and 3.7 million MFS customers across Latin America. B2C mobile revenue in Latin America were $1,469 million in the six-month period ended June 30, 2017, a decline of 4.5% in constant currency terms, as compared to $1,511 million in the six-month period ended June 30, 2016. The decrease was due to the impact of regulatory changes in Colombia (cuts to mobile termination rates and caps to MVNO and national roaming tariffs implemented in the first half of 2017) and Paraguay (data roll-over introduced in the second half on 2016), as well as the decline in voice and SMS services, which was partially offset by 20% growth in constant currency terms in mobile data revenue during the period.

As of June 30, 2017, our Home business in Latin America passed 8.6 million homes, and connected 3.2 million homes, of which over 2.2 million were HFC, and we had 5.8 million RGUs. The Home business unit generated revenue of $556 million for the six-month period ended June 30, 2017, an increase of 7.3% in constant currency terms from $505 million for the six-month period ended June 30, 2016, due to the growth of the number of homes connected and to the increase in ARPU levels. For the six-month period ended June 30, 2017, our Home ARPU was $27.95 at constant currency across our markets, a 3.9% growth from $26.86 for the six-month period ended June 30, 2016.

Our B2B business generated revenue of $453 million for the six-month period ended June 30, 2017, an increase of 1.9% in constant currency terms from $433 million for the six-month period ended June 30, 2016, mostly due to customer additions.

Telephone and equipment sales across all our business units generated $179 million in revenue for the six-month period ended June 30, 2017, a 7.5% reduction from $193 million for the six-month period ended June 30, 2016, mainly due to a lower average sale price per handset and lower sales volumes in Colombia during the period.

Revenue in the Guatemala and Honduras joint ventures for the six-month period ended June 30, 2017 was $940 million, a decrease from $953 million for the six-month period ended June 30, 2016 due to a weak lempira in Honduras. Our B2C mobile revenue was relatively stable in Guatemala and declined in Honduras as a result of declines in our voice and SMS segments not being fully compensated by the growth in mobile data in. Revenue in the Home business unit grew significantly although from a smaller base. Revenue in the B2B business unit in Guatemala was negatively impacted by the cancellation of a government surveillance contract in Guatemala in July 2016 that resulted in a loss of $16 million in revenue. In 2014, Comcel entered into a five-year agreement with the national police of Guatemala to install and operate surveillance cameras in Guatemala and invested $42 million in equipment to fulfil the project. We provided services from February 2015 to June 2016 and recognized revenue on the invoices raised; however, due to the change in government following the dismissal of the Guatemalan President in 2015, our invoices were not paid. We terminated the contract on July 1, 2017.

Africa

Revenue from our African operations for the six months ended June 30, 2017, was $347 million, a decrease of $34 million, or 5.2% in constant currency terms, from $382 million in the six months ended June 30, 2016, due to increased competition in Tanzania, new rules governing SIM registration introduced in Tanzania and the introduction of an 18% excise tax levied on mobile usage in Chad (as discussed under "*Telecommunications Regulations—Africa—Chad*"). Our B2C mobile customer base decreased slightly during the period, from 21.6 million customers as of June 30, 2016, to 21.4 million customers as of June 30, 2017. Our MFS customer base expanded by 12.5%, to 8.1 million customers as of June 30, 2017 from 7.2 million customers as of June 30, 2016. Mobile ARPU declined by 4.2% in constant currency in Africa in the six months ended June 30, 2017 to $2.51 from $2.62 in the six months ended June 30, 2016, due to the previously mentioned drivers for revenue performance.

Cost of sales

Cost of sales in the six months ended June 30, 2017 was $610 million, a slight increase from $606 million in the six months ended June 30, 2016. The result was due to a change in the revenue mix, offset by a lower proportion of revenue from low-margin smartphone sales.

In Guatemala and Honduras, cost of sales in the six months ended June 30, 2017 was a combined $186 million, a decrease of $18 million from $204 million in the six months ended June 30, 2016. The decrease was mainly due to the Guatemala bad debt provisions made during the six months ended June 30, 2016, related to the cancellation of the surveillance contract discussed above which was terminated on June 30, 2016, combined with a one-off charge for $7 million in 2016 related to withholding tax on interconnection fees in Honduras.

Gross profit

Gross profit in the six months ended June 30, 2017 was $1,481 million, a slight decrease from $1,490 million in the six months ended June 30, 2016. Gross profit margin decreased by 30 bps in the six months ended June 30, 2017 to 70.8% from 71.1% in the six months ended June 30, 2016. The gross profit margin was affected mostly by changes in revenue mix from our three business units.

In Guatemala and Honduras, gross profit in the six months ended June 30, 2017 was $755 million, up from $749 million in the six months ended June 30, 2016. Gross profit margin increased from 79.4% to 81.1% over the same period.

Operating expenses

Operating expenses include dealer commissions on customer acquisition and prepaid recharges, advertising, promotional materials at Tigo-branded points of sales, sales staff, handset subsidies, network maintenance, billing and collection, office rental, and the costs associated with support functions such as finance, HR, and legal.

Operating expenses in the six months ended June 30, 2017, were $829 million, a decrease of $10 million, or 1.2%, from $839 million in the six months ended June 30, 2016. The decrease was due to efficiency initiatives implemented as part of 'Project Heat', as discussed above under *"—Key Factors Affecting the Millicom Group's Business—Project Heat,"* as well as a lower corporate costs partially offset by higher sales and marketing expenses, mostly in Colombia.

Depreciation and amortization

Depreciation and amortization in the six months ended June 30, 2017 was $442 million, an increase of $4 million, or 0.9%, from $438 million in the six months ended June 30, 2016 due the depreciation of the capital expenditure, especially investments in network expansion focused on improving our 4G services and the number of homes passed.

In Guatemala and Honduras, depreciation and amortization increased from $215 million in the six months ended June 30, 2016 to $227 million in the six months ended June 30, 2017, mainly due to the accelerated depreciation of intangibles that resulted from the purchase price allocation completed at the end of 2016.

Income (loss) from joint ventures, net

Net income from joint ventures in the six months ended June 30, 2017 was $73 million, a $15 million, or 23.7%, increase from $59 million in the six months ended June 30, 2016 due to improved operating results from Guatemala and Honduras.

Other operating income (expense), net

Other operating income in the six months ended June 30, 2017 was $3 million, as compared to an expense of $3 million in the six months ended June 30, 2016.

Operating profit

Operating profit represents our profit before (i) taxes, (ii) results from associates, (iii) other non-operating expenses (such as foreign exchange losses and changes in the fair value of derivatives), and (iv) net of financial expenses. Operating profit and operating profit margin for the six-month periods ended June 30, 2016 and 2017 were as follows:

Operating profit

	Six months ended June 30,		Percentage change
	2016	2017	
	(U.S. dollars in millions, except percentages)		
Latin America	470	470	
Africa	31	26	
Unallocated	(80)	(74)	
Operating profit (underlying)	**(421)**	**(421)**	**0%**
Adjustment for Guatemala and Honduras	(152)	(135)	
Operating profit	**269**	**287**	**6%**

Operating profit margin

	Six months ended June 30,	
	2016	2017
Latin America	18%	18%
Africa	8%	7%
Operating profit margin (underlying)	**14%**	**14%**
Guatemala and Honduras	16%	14%
Operating profit margin	**13%**	**14%**

In Latin America, our operating profit margin remained stable at 18% in the six months ended June 30, 2016 and the six months ended June 30, 2017, as operating margins increased in Bolivia, Colombia, Paraguay and Costa Rica, and these increases more than offset the decline in margins experienced in El Salvador during the same period.

In Guatemala and Honduras, operating profit margin declined following the reduction of voice and SMS revenues and growth of the Home and B2B segments that operate with lower profit margins. Improved performance in Honduras partially offset the decline in Guatemala.

In Africa, our operating profit margin remained largely stable at 8% in the six months ended June 30, 2016, compared to 7% in the six months ended June 30, 2017.

Interest expense

Interest expense in the six months ended June 30, 2017 was $207 million, an increase of $26 million, or 14.4%, from $181 million in the six months ended June 30, 2016. This increase was mainly due to fees incurred in respect of MIC S.A.'s repurchase of $158.5 million in principal amount of the 4.75% Notes and $142 million in principal amount of the 6.625% Notes in a December 2016 tender offer, as well as the fees associated with the syndicated loan in Colombia, each as further discussed under "*Description of Other Indebtedness—Indebtedness by Operation—Latin America—Colombia.*"

Interest and other financial income

Interest and other financial income in the six months ended June 30, 2017 increased to $10 million as compared to $7 million for the six months ended June 30, 2016 due to higher levels of cash at hand.

Other non-operating (expenses) income, net

Other non-operating expense, net, in the six months ended June 30, 2017 was $9 million, a decrease of $53 million or 120.5%, from income of $44 million in the six months ended June 30, 2016. Most of the income relates to exchange gains in the period.

Income (loss) from associates, net

Our net loss from associates in the six months ended June 30, 2017, was $39 million a decrease of $48 million from a $9 million gain in the six months ended June 30, 2016. Our net gain from associates in the six months ended June 30, 2017 was derived from the performance of the associates (mainly Helios Towers Africa, Ltd. and Africa Internet Holding GmbH). Our net gain from associates in the six months ended June 30, 2016, was mainly due to gains on dilution of Helios Towers Africa and Africa Internet Holding, of $13 million and $28 million, respectively.

Charge for taxes

Our net tax charge in the six months ended June 30, 2017 decreased to $82 million from $84 million in the six months ended June 30, 2016. Our effective tax rate was 196.2% in the six months ended June 30, 2017, compared with 56.4% in the six months ended June 30, 2016. The increase was due to changes in the profit mix that do not impact the tax charge, including an increase in associates, foreign exchange and other finance costs.

In Guatemala and Honduras, our net charge for taxes was $44 million in the six months ended June 30, 2017, as compared to $48 million in the six months ended June 30, 2016.

Net profit (loss) for the year

The loss from continuing operations in the six months ended June 30, 2017 was $42 million, as compared to $149 million in the six months ended June 30, 2016. The profit from discontinued operations net of tax in the six months ended June 30, 2017 was $16 million, as compared to $6 million in the six months ended June 30, 2016. The net loss for the period in the six months ended June 30, 2017 was $25 million, as compared to a net gain of $71 million in the six months ended June 30, 2016.

Year ended December 31, 2015 and 2016

The following table sets forth certain income statement items for the periods indicated:

	Year ended December 31,		Amount of variation	Percentage change
	2015	2016		
	(U.S. dollars in millions, except percentages)			
Revenue	6,572	4,374	(2,198)	(33)%
Cost of sales	(1,793)	(1,279)	514	(29)%
Gross profit	**4,778**	**3,096**	**(1,682)**	**(35)%**
Operating expenses	(2,590)	(1,781)	809	(31)%
Depreciation	(1,035)	(744)	291	(28)%
Amortization	(246)	(184)	(62)	(25)%
Income from joint ventures, net	–	115	115	–
Other operating income (expense),net	(64)	(20)	44	(69)%
Operating profit	**843**	**482**	**(361)**	**(43)%**
Interest expense	(425)	(394)	31	(7)%
Interest and other financial income	22	22	–	0%
Revaluation of previously held interests	–	–	–	–
Other non-operating (expenses) income, net	(624)	10	634	(102)%
Income (loss) from associates, net	100	(49)	(149)	(149)%
Profit (loss) before tax from continuing operations	**(83)**	**71**	**154**	**(186)%**
Charge for taxes	(278)	(180)	98	(35)%
Profit (loss) for the year from continuing operations	**(361)**	**(109)**	**252**	**(70)%**
Profit (loss) for the year from discontinued operations, net of tax	(83)	19	102	(123)%
Net profit (loss) for the period	**(444)**	**(90)**	**354**	**(80)%**

The following table sets forth the reconciliation of certain income statement items for adjustments to present the effect on such income statement items of including 100% of the Guatemala and Honduras joint ventures and the elimination of our DRC and Senegal operations for the periods indicated.

	Year ended December 31,		Amount of variation	Percentage change
	2015	2016		
	(U.S. dollars in millions, except percentages)			
Revenue:				
Latin America	5,740	5,352		
Africa	721	768		
Unallocated	3	–		
Revenue (underlying)	**6,464**	**6,121**	**(343)**	**(5)%**
Adjustment for discontinued operations	108	128		
Adjustment for Guatemala and Honduras	–	(1,875)		
Revenue	**6,572**	**4,374**	**(2,198)**	**(33)%**
Cost of sales:				
Latin America	(1,547)	(1,416)		
Africa	(212)	(199)		
Unallocated	7	5		
Cost of sales (underlying)	**(1,752)**	**(1,610)**	**142**	**(8)%**
Adjustment for discontinued operations	(41)	(45)		
Adjustment for Guatemala and Honduras	–	376		
Cost of sales	**(1,793)**	**(1,279)**	**514**	**(29)%**
Gross profit:				
Latin America	4,192	3,936		
Africa	509	569		
Unallocated	10	5		
Gross profit (underlying)	**4,711**	**4,512**	**(199)**	**(4)%**
Adjustment for discontinued operations	67	83		
Adjustments for Guatemala and Honduras	–	(1,498)		
Gross profit	**4,778**	**3,096**	**(1,683)**	**(35)%**
Operating profit:				
Latin America	1,109	848		
Africa	28	74		
Unallocated	(205)	(150)		
Operating profit (underlying)	**932**	**772**	**(160)**	**(17)%**
Adjustment for discontinued operations	(89)	(12)		
Adjustment for Guatemala and Honduras	–	(279)		
Operating profit	**843**	**482**	**(361)**	**(43)%**
Profit before tax from continuing operations:				
Latin America	22	446		
Africa	43	(50)		
Unallocated	(38)	(142)		
Profit (loss) before tax from continuing operations (underlying)	**27**	**254**	**227**	**848%**
Adjustment for discontinued operations	(109)	(15)		
Adjustment for Guatemala and Honduras	–	(168)		
Profit before tax from continuing operations	**(83)**	**71**	**153**	**(186)%**
Charge for taxes:				
Latin America	(143)	(174)		
Africa	(5)	(4)		
Unallocated	(128)	(73)		
Charge for taxes (underlying)	**(276)**	**(252)**	**25**	**(9)%**
Adjustment for discontinued operations	(2)	(0)		
Adjustment for Guatemala and Honduras	–	72		
Charge for taxes	**(278)**	**(180)**	**98**	**(35)%**
Net profit (loss) for the year:				
Latin America	(122)	272		
Africa	(157)	(50)		
Unallocated	(165)	(215)		
Net profit (loss) for the year (underlying)	**(444)**	**6**	**451**	**(102)%**
Adjustment for Guatemala and Honduras	–	(96)		
Net profit (loss) for the year	**(444)**	**(90)**	**354**	**(80)%**

Revenue

Our revenue for fiscal 2016 was $4,374 million, a decrease of $2,198 million, or 33.4%, from $6,572 million in fiscal 2015, largely due to the deconsolidation of Guatemala and Honduras ($1,875 million) and the devaluation of the Colombia peso, the Paraguayan guarani and the Tanzania schilling. Adjusting for the deconsolidation of Guatemala and Honduras, revenue in fiscal 2016 would have been $6,121 million, a decline of 5.3% or $343 million from $6,464 million in fiscal 2015. Excluding the impact of currencies, revenue in fiscal 2016 would have been down 0.4%.

Latin America

Underlying revenue from our Latin American operations in fiscal 2016 was $5,352 million, a decrease of $388 million, or 6.8%, from $5,740 million in fiscal 2015. Excluding the impact of currencies, revenue in fiscal 2016 would have been down 1.8%. The decrease was mainly attributable to increased competition, particularly in Colombia, and to the attrition of voice and SMS revenue, which was only partially offset by the growth in mobile data, as well as growth in our Home and B2B businesses.

As of December 31, 2016, we had 30.9 million B2C mobile customers and 3.7 million MFS customers across the region.

As of December 31, 2016, our cable and broadband business in Latin America had 3.7 million RGUs (HFC only), an increase of 13.9% from December 31, 2015.

In Guatemala, revenue was $1,284 million for fiscal 2016, down 1.7% compared to $1,306 million in fiscal 2015. Most of the decrease is attributable to ceasing to recognize revenue from a government video surveillance contract beginning in July 2016 and which accounted for $16 million of revenue in the second half of fiscal 2015 (see "*—Six Months Ended June 30, 2016 and 2017—Revenue—Latin America*"). In Honduras, revenue was $609 million in fiscal 2016, a $40 million, or 6.2%, decline from $649 million in fiscal 2015, driven by lower voice and SMS revenue only partially offset by growth in mobile data and the Home business.

Africa

Revenue from our African operations was $768 million in fiscal 2016, an increase of $47 million, or 6.6%, from $721 million in fiscal 2015. The increase was due to strong growth in B2C mobile services, led by resilient voice and SMS, mobile data and B2B services. Our B2C mobile customer base was 21.5 million as of December 31, 2016, a slight decrease of 0.2% from December 31, 2015.

Cost of sales

Cost of sales in fiscal 2016 was $1,279 million, a decrease of $514 million, or 28.7%, from $1,793 million in fiscal 2015. The decrease was mainly due to the deconsolidation of Guatemala and Honduras as well as lower handset sales.

In Guatemala and Honduras, cost of sales in fiscal 2016 was $394 million, a decrease from $417 million in fiscal 2015, mainly due to lower handset sales.

Gross profit

Gross profit decreased from $4,778 million in fiscal 2015 to $3,096 million in fiscal 2016, of which $1,498 million was attributable to the deconsolidation of Guatemala and Honduras. Gross profit (underlying) decreased by $199 million. Gross profit margin decreased from 72.7% in fiscal 2015 to 70.8% in fiscal 2016, while gross profit margin (underlying) increased from 72.9% in fiscal 2015 to 73.7% in fiscal 2016. The gross profit margin was affected mostly by the mix of revenue generated from different business units, and the lower sale of handsets.

In Honduras, gross profit margin in fiscal 2016 was 76.7%, an increase from 75.5% in fiscal 2015. In Guatemala, gross profit margin in fiscal 2016 was 80.5%, an increase from 80.2% in fiscal 2015.

Operating expenses

Operating expenses in fiscal 2016 were $1,781 million, a decrease of $809 million, or 31.2%, from $2,590 million in fiscal 2015. Operating expenses (underlying) for fiscal 2016 were $2,422 million or 3.9% less than in fiscal 2015. The reduction in operating expenses was driven by a reduction of headquarter costs (unallocated to Latin America or Africa) and efficiencies coming through from the implementation of 'Project Heat' that launched in fiscal 2015, as discussed above under "*—Key Factors Affecting the Millicom Group's Business—Project Heat*." Operating expenses accounted for 39.4% (39.0% underlying) and 40.7% (38.6% underlying) of revenue in fiscal 2015 and fiscal 2016, respectively.

Depreciation and amortization

Depreciation and amortization in fiscal 2016 was $928 million, a decrease of $353 million, or 27.6% from $1,281 million in fiscal 2015 due to the deconsolidation of Guatemala and Honduras. Adjusting for this effect, the depreciation would have increased by $86 million to $1,368 million, mostly related to the purchase price allocation adjustment carried out in Guatemala and Honduras at the end of 2016.

Income from joint ventures, net

Net income from joint ventures was $115 million for fiscal 2016. The full amount comes from the change to equity accounting for the Guatemala and Honduras joint ventures which began on January 1, 2016.

Other operating expenses

Other operating expenses in fiscal 2016 were $20 million, a decrease of $44 million, or 68.8% from $64 million in fiscal 2015. Excluding the effect of equity accounting for Guatemala and Honduras, the expense in fiscal 2016 was $43 million. Most of the fiscal 2015 expenses are related to the impairment related to Senegal. In fiscal 2016, the expenses are mostly related to the impairment of assets related to the surveillance contract in Guatemala, as discussed above.

Operating profit

Operating profit and operating profit margin for the years ended December 31, 2015 and 2016 was as follows:

Operating profit

	Year ended December 31,		Percentage change
	2015	2016	
	(U.S. dollars in millions, except percentages)		
Latin America	1,109	848	
Africa	28	74	
Unallocated	(205)	(150)	
Operating profit (underlying)	**932**	**772**	**(17)%**
Discontinued operations	(89)	(12)	
Adjustment for Guatemala and Honduras	–	(279)	
Operating profit	**843**	**482**	**(43)%**

Operating profit margin

	Year ended December 31,	
	2015	2016
Latin America	19%	16%
Africa	4%	10%
Total underlying operating profit margin	**14%**	**13%**
Discontinued operations	(82)%	(9)%
Guatemala and Honduras	–	15%
Total operating profit margin	**13%**	**11%**

In Latin America, our operating profit margin in fiscal 2016 was 16%, a decline from 19% in fiscal 2015. The decrease was due to our product mix, shifting from the legacy B2C mobile voice and SMS business to mobile data, Home and B2B.

In Guatemala, operating profit margin in fiscal 2016 was 25.7%, a decline from 32.1% in fiscal 2015. In Honduras, operating profit margin in fiscal 2016 was 8.9%, a decline from 24.5% in fiscal 2015. The decrease in margin in both countries was mainly due to higher depreciation expense which resulted from the purchase price allocation triggered by the deconsolidation and adoption of equity method accounting for our operations in both Guatemala and Honduras.

In Africa, the operating profit margin improved from 4% in fiscal 2015 to 10% in fiscal 2016, reflecting the growth of the revenue and controlled costs and expenses as we focus on improving operational efficiency in the region.

Interest expense

Interest expense in fiscal 2016 was $394 million, a decrease of $31 million, or 7.3%, from $425 million in fiscal 2015. Excluding the effect of equity accounting for Guatemala and Honduras, interest expense would have been $497 million. This increase was mainly due to fees incurred in relation to financing and liability management activities, such as the issuance of the SEK Notes as well as the impact of an increase in interest rates in Colombia where most of our debt is floating and indexed to inflation (as further discussed under "*Description of Other Indebtedness—Indebtedness by Operation—MIC S.A.*").

Interest and other financial income

Interest and other financial income in fiscal 2016 remained stable at $22 million compared to $22 million for fiscal 2015.

Other non-operating (expenses) income, net

Other non-operating income, net, in fiscal 2016 was $10 million, compared to an expense of $624 million in fiscal 2015. In fiscal 2015, $54 million of non-operating income related to the change in carrying value of the put options granted to our local partners in Guatemala and Honduras, $304 million related to foreign exchange losses and there was a $391 million loss related to the deconsolidation of Honduras and Guatemala. In fiscal 2016, $16 million of non-operating gains was mainly due to exchange gains foreign exchange losses.

Income (loss) from associates, net

Our net loss from associates was $49 million in fiscal 2016, as compared to a gain of $100 million in fiscal 2015. Our net loss from associates in fiscal 2016 was derived from the operating losses at Helios Towers Africa and Africa Internet Holding. Our net gain from associates in fiscal 2015 was mainly due to gain from dilution resulting from the revaluation of Global Fashion Group, one of Africa Internet Holding GmbH's main assets, and the exchange of shares held in tower companies in Ghana, DRC and Tanzania for shares in Helios Towers Africa (as discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure—Helios Towers Africa*").

Charge for taxes

Our net tax charge in fiscal 2016 was $180 million, a decrease of $98 million, or 35.3%, from $278 million in fiscal 2015, mainly due to the deconsolidation of Guatemala and Honduras. Excluding this effect, the reduction would have been $25 million or a decrease of 9.0% from $276 million in fiscal 2015 to $252 million for fiscal 2016. The decrease is mainly due to the lower profit before taxes due to the purchase price allocation process in Guatemala and Honduras, higher interest expenses and lower operating profits from changing trends in voice and SMS not fully offset by the growth of the other business lines.

In Guatemala and Honduras, our combined net charge for taxes was $67 million, as compared with $128 million, in fiscal 2015, as we had no net charge for taxes in Honduras in fiscal 2016.

Net profit (loss) for the year

The profit from continuing operations in fiscal 2016 was $71 million, as compared to a loss of $83 million in fiscal 2015. The profit from discontinued operations net of tax in fiscal 2016 was $19 million, as compared to a loss of $83 million in fiscal 2015. The net loss for the period in fiscal 2016 was $90 million, as compared to $444 million in fiscal 2015.

Year ended December 31, 2014 and 2015

The following table sets forth certain income statement items for the periods indicated:

	Year ended December 31,		Amount of variation	Percentage change
	2014	2015		
	(U.S. dollars in millions, except percentages)			
Revenue	6,386	6,572	186	3%
Cost of sales	(1,694)	(1,793)	(99)	6%
Gross profit	**4,692**	**4,778**	**86**	**2%**
Operating expenses	(2,599)	(2,590)	9	0%
Depreciation	(920)	(1,035)	(115)	13%
Amortization	(238)	(246)	(8)	3%
Income from joint ventures, net	–	–	–	–
Other operating income (expense), net	(11)	(64)	(53)	482%
Operating profit	**924**	**843**	**(81)**	**(9)%**
Interest expense	(426)	(425)	1	0%
Interest and other financial income	22	22	–	0%
Revaluation of previously held interests	2,250	–	(2,250)	(100)%
Other non-operating (expenses) income, net	211	(624)	(835)	(396)%
Income (loss) from associates, net	55	100	45	82%
Profit (loss) before tax from continuing operations	**3,036**	**(83)**	**(3,119)**	**(103)%**
Charge for taxes	(256)	(278)	(22)	9%
Profit (loss) for the year from continuing operations	**2,780**	**(361)**	**(3,141)**	**(113)%**
Profit (loss) for the year from discontinued operations, net of tax	21	(83)	(104)	(495)%
Net profit (loss) for the period	**2,801**	**(444)**	**(3,245)**	**(116)%**

The following table sets forth the reconciliation of certain income statement items for adjustments to present the effect on such income statement items of the elimination of our DRC and Senegal operations for the periods indicated.

Year ended December 31, 2014 and 2015

	Year ended December 31,		Amount of variation	Percentage change
	2014	2015		
	(U.S. dollars in millions, except percentages)			
Revenue:				
Latin America	5,386	5,740		
Africa	756	721		
Unallocated	–	3		
Revenue (underlying)	**6,142**	**6,463**	**321**	**5%**
Adjustment for discontinued operations	244	108		
Revenue	**6,386**	**6,572**	**186**	**3%**
Cost of sales:				
Latin America	(1,414)	(1,547)		
Africa	(206)	(212)		
Unallocated	7	7		
Cost of sales (underlying)	**(1,613)**	**(1,752)**	**(139)**	**9%**
Adjustment for discontinued operations	(80)	(41)		
Cost of sales	**(1,694)**	**(1,793)**	**(99)**	**6%**
Gross profit:				
Latin America	3,972	4,192		
Africa	550	509		
Unallocated	7	10		
Gross profit (underlying)	**4,529**	**4,711**	**182**	**4%**
Adjustment for discontinued operations	163	67		
Gross profit	**4,692**	**4,778**	**86**	**2%**
Operating profit:				
Latin America	1,216	1,109		
Africa	38	28		
Unallocated	(260)	(205)		
Operating profit (underlying)	**994**	**932**	**(62)**	**(6)%**
Adjustment for discontinued operations	(70)	(89)		
Operating profit	**924**	**843**	**(81)**	**(9)%**
Profit before tax from continuing operations:				
Latin America	2,942	22		
Africa	(138)	43		
Unallocated	323	(38)		
Profit before tax from continuing operations (underlying)	**3,127**	**27**	**(3,100)**	**(99)%**
Adjustment for discontinued operations	(91)	(109)		
Profit before tax from continuing operations	**3,036**	**(83)**	**(3,119)**	**(103)%**
Charge for taxes:				
Latin America	(171)	(143)		
Africa	(13)	(5)		
Unallocated	(67)	(128)		
Charge for taxes (underlying)	**(251)**	**(276)**	**(25)**	**10%**
Adjustment for discontinued operations	(5)	(2)		
Charge for taxes	**(256)**	**(278)**	**(22)**	**9%**
Net profit for the year:				
Latin America	2,771	(122)		
Africa	(231)	(157)		
Unallocated	261	(165)		
Net profit for the year (underlying)	**2,801**	**(444)**	**(3,245)**	**(116)%**
Adjustment for discontinued operations				
Net profit for the year	**2,801**	**(444)**	**(3,245)**	**(116)%**

Revenue

Our revenue for fiscal 2015 was $6,572 million, an increase of $186 million, or 2.9%, from $6,386 million in fiscal 2014. The increase was largely due to full year of revenue of $1,053 million from the UNE Transaction, but partially offset by the adverse currency movements particularly in the Colombian peso, the Paraguayan guarani, the Ghanaian cedi and the Tanzanian schilling.

Latin America

Revenue from our Latin American operations in fiscal 2015 was $5,740 million, an increase of $354 million, or 6.6%, from $5,386 million in fiscal 2014, mainly due to full year of revenue from the UNE Transaction, but largely offset by adverse currency movements particularly in the Colombian peso and the Paraguayan guarani.

As of December 31, 2015, we had 31.4 million B2C mobile customers and 3.7 million MFS customers across the region.

As of December 31, 2015, our cable and broadband business in Latin America had 3.2 million RGUs (HFC only), an increase of 17.0% year-on-year.

Africa

Revenue from our African operations in fiscal 2015 was $721 million, a decrease of $35 million, or 4.6%, from $756 million in fiscal 2014, after the negative impact of currency movements in several of our markets (particularly in Tanzania and Ghana), and the sale of our Mauritius operations in 2014.

Cost of sales

Cost of sales in fiscal 2015 was $1,793 million, an increase of $99 million, or 5.8%, from $1,694 million in fiscal 2014. The increase was due to the full year impact of the UNE business following the UNE Transaction, which operates a fixed business with traditionally higher costs than those of a predominantly mobile business, offset by the previously mentioned adverse currency movements.

Gross profit

Gross profit in fiscal 2015 was $4,778 million, an increase of $86 million, or 1.8%, from $4,692 million in fiscal 2014. Gross margin decreased to 72.7% in fiscal 2015 from 73.5% in fiscal 2014. Gross profit margin was affected by the UNE business following the UNE Transaction, which operates a fixed business with traditionally higher costs than those of a predominantly mobile business, offset by the previously mentioned adverse currency movements.

Operating expenses

Operating expenses in fiscal 2015 was $2,590 million and remained stable from $2,599 million in fiscal 2014. There was a considerable reduction of operating expenses for central headquarter costs (unallocated to Latin America or Africa), while in Latin America costs increased, reflecting the full year impact of the UNE operations compared to just five months in fiscal 2014.

Depreciation and amortization

Depreciation and amortization in fiscal 2015 was $1,281 million, an increase of $123 million, or 10.6%, from $1,158 million in fiscal 2014 with most of the variance reflecting the full year impact of the UNE operations compared to just five months in fiscal 2014.

Other operating expenses

Other operating expenses in fiscal 2015 increased to $64 million from $11 million in fiscal 2014, mostly related to the impairment of some assets ($54 million) in Senegal.

Operating profit

Operating profit and operating profit margin for the years ended December 31, 2014 and 2015 was as follows:

Operating profit

	Year ended December 31,		Percentage change
	2014	2015	
	(U.S. dollars in millions, except percentages)		
Latin America	1,216	1,109	
Africa	38	28	
Unallocated	(260)	(205)	
Operating profit (underlying)	**994**	**932**	**(6)%**
Adjustment for discontinued operations	(70)	(89)	
Operating profit	**924**	**843**	**(9)%**

Operating profit margin

	Year ended December 31,	
	2014	2015
Latin America	23%	19%
Africa	5%	4%
Operating profit margin (underlying)	**16%**	**14%**
Discontinued operations	(29)%	(82)%
Total Operating profit margin	**14%**	**13%**

In Latin America, our operating profit margin decreased from 23% in fiscal 2014 to 19% in fiscal 2015, reflecting the full year impact of the UNE operations compared to just five months in fiscal 2014. The UNE operations include a call center and fixed business that operate with lower operating margins compared to the rest of our operations. Additionally the growth of handset sales has a dilutive impact on the operating margins.

Interest expense

Interest expense in fiscal 2015 remained stable at $425 million from $426 million in fiscal 2014.

Interest and other financial income

Interest and other financial income in fiscal 2015 also remained stable at $22 million as compared to $22 million for fiscal 2014.

Revaluation of previously held interests

As discussed above under "*—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures,*" effective January 1, 2014, we gained control of and fully consolidated the Guatemalan joint venture. In accordance with IFRS, we revalued to fair value our 55% previously held interest, and recognized a gain of $2,250 million.

Other non-operating (expenses) income, net

Other non-operating expense, net, in fiscal 2015 was $624 million, compared to an income of $211 million in fiscal 2014. In fiscal 2015, $54 million of non-operating income related to the change in carrying value of the put options granted to our local partners in Guatemala and Honduras, offset by a $391 million loss on deconsolidation of Guatemala and Honduras and foreign exchange losses of $304 million. In fiscal 2014, $353 million of non-operating income related to the change in carrying value of the put option granted to our local partners in Guatemala and Honduras offset by exchange revaluation and losses which resulted in non-operating expenses of $175 million.

Income (loss) from associates, net

Net income from associates in fiscal 2015 was $100 million, an increase of $45 million, or 81.8%, from $55 million in fiscal 2014. In 2015, we benefited from a $147 million book value gain from the share exchange in our shareholding of Helios Towers Africa (as discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure—Helios Towers Africa*"), which offset losses on our Africa Internet Holding GmbH and MKC Brilliant Holding GmbH investments.

Charge for taxes

Our net tax charge in fiscal 2015 increased to $278 million from $256 million in fiscal 2014. In fiscal 2015, we had a non-cash charge of $80 million mainly related to the write-down of deferred tax assets historically recognized on tax losses carried forward at a group level. Excluding this one-time impact, taxes decreased reflecting lower charges in Colombia and the change in the profit mix of the operations.

Net profit (loss) for the year

The loss from continuing operations in fiscal 2015 was $83 million, as compared to a profit of $3,036 million in fiscal 2014. The loss from discontinued operations net of tax in fiscal 2015 was $83 million, as compared to a profit of $21 million in fiscal 2014. The net loss for the period in fiscal 2015 was $444 million, as compared to a profit of $2,801 million in fiscal 2014.

Liquidity and capital resources

Overview

We finance our operations centrally at the MIC S.A.-level or at the operational level, depending on where we deem it more cost effective to do so. As a company, we look at the gross debt of the Millicom Group, including all of the debt of the Guatemala and Honduras joint ventures, which are now accounted for as equity investments in our consolidated financial statements. We refer to the Millicom Group's total gross debt on a consolidated basis (without the Guatemala and Honduras joint ventures) as our "gross debt," and to the Millicom Group's total gross debt, including 100% of the Guatemala and Honduras joint ventures debt and excluding our discontinued operations in DRC and Senegal, as our "gross debt (underlying)."

As of June 30, 2017, 58% of our gross debt and 68% of our gross debt (underlying) was at the operational level, and 35% and 33%, respectively, of our gross debt and gross debt (underlying) was denominated in local currency. If we had redeemed the 4.75% Notes on June 30, 2017, we would have had 40% and 36% of our gross debt and our gross debt (underlying) in local currency, respectively, as of June 30, 2017. We target 40% of group gross debt (underlying) in local currency over the medium term to align as much as is feasible the currency of our assets and liabilities (considering the availability of local currency funding in our respective geographies).

The following table presents our gross debt, gross debt (underlying), net debt and net debt (underlying) as of December 31, 2014, 2015, 2016 and June 30, 2017.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(U.S. dollars in millions)			
Gross debt[1]	**4,923**	**4,010**	**3,901**	**4,210**
Honduras gross debt	–	391	402	395
Guatemala gross debt	–	984	988	994
Senegal gross debt	–	(17)	(14)	–
DRC gross debt	(35)	–	–	–
Gross debt (underlying)[2]	**4,888**	**5,368**	**5,277**	**5,599**
Cash and cash equivalents	694	769	646	721
Deposits	9	5	4	5
Cash and deposits[3]	**704**	**774**	**651**	**726**
Net debt[4]	**4,219**	**3,236**	**3,250**	**3,484**
Cash and cash equivalents	694	769	646	721
Cash and cash equivalents Honduras	–	13	13	17
Cash and cash equivalents Guatemala	–	155	289	304
Cash and cash equivalents Senegal	(5)	(18)	(9)	–
Cash and cash equivalents DRC	(12)	–	–	–
Cash and cash equivalents (underlying)[5]	**677**	**925**	**939**	**1,038**
Deposits[6]	10	5	5	6
Cash and deposits (underlying)[7]	**686**	**925**	**943**	**1,044**
Net debt (underlying)[8]	**4,202**	**4,444**	**4,333**	**4,555**

(1) Gross debt refers to our total gross indebtedness on a consolidated basis, without the Guatemala and Honduras joint ventures.

(2) Gross debt (underlying) refers to our total gross indebtedness on a consolidated basis, including 100% of the Guatemala and Honduras joint ventures and excluding our discontinued operations in DRC for fiscal 2014 and Senegal for all periods.

(3) Cash and deposits refers to our cash and cash equivalents plus term and pledged deposits.

(4) Net debt represents total gross debt less cash and deposits.

(5) Cash and cash equivalents (underlying) refers to our total cash and cash equivalents on a consolidated basis, including 100% of the Guatemala and Honduras joint ventures and excluding our discontinued operations in DRC for fiscal 2014 and Senegal for all periods.

(6) There are no adjustments for deposits in Honduras, Guatemala, Senegal or DRC for any period.

(7) Cash and deposits (underlying) refers to our cash and cash equivalents plus term and pledged deposits on a consolidated basis, including 100% of Guatemala and Honduras joint ventures and excluding our discontinued operations in DRC for fiscal 2014 and Senegal for all periods.

(8) Net debt (underlying) represents the total gross debt (underlying) less cash and deposits (underlying).

Our interest expense for the six months ended June 30, 2017, was $207 million and for the year ended December 31, 2016, was $394 million, as compared to $425 million for the year ended December 31, 2015. Our interest expense (underlying) for the six months ended June 30, 2017 was $259 million and for the year ended December 31, 2016 was $497 million compared to $425 million for the year ended December 31, 2015. As of June 30, 2017, the amount of the Millicom Group's debt guaranteed by MIC S.A. was $667 million, including $250 million of debt incurred by the Honduras joint venture.

MIC S.A. currently has five primary debt facilities and instruments outstanding: the SEK Bonds, the 6.625% Notes, the 6.0% Notes, the MIC S.A. Term Loan and the Revolving Credit Facility, each as further described in "*Description of Other Indebtedness—Indebtedness by Operation—MIC S.A.*" While the majority of our debt instruments at the local level do not contain prohibitions on upstreaming cash from our subsidiaries to service MIC S.A.'s obligations, Millicom Chad's IFC credit facility restricts its ability to distribute dividends to its parent company, and Colombia Móvil's syndicated loan facility contain similar financial covenant restrictions. See "*Description of*

Other Indebtedness—Indebtedness by Operation." We believe that, through cash generated by our operations and our ability to draw on the Revolving Credit Facility, we have sufficient liquidity to service our debt obligations in the coming years.

As of June 30, 2017, our cash and cash equivalents was $721 million compared to $646 million as of December 31, 2016, and our cash and cash equivalents (underlying) were $1,038 million and $939 million, respectively. Our net cash provided by operating activities in fiscal 2016 was $878 million, which was $437 million higher than cash used in financing activities (of $441 million), and our net cash used by investing activities was $552 million. For the six-month period ended June 30, 2017, our net cash provided by operating activities was $367 million, which was $346 million higher than cash used in financing activities, and our net cash used by investing activities was $301 million.

We believe that our funding and working capital are sufficient for our present requirements. For a discussion of our financial risk management, including liquidity risks, see note D. of our fiscal 2016 consolidated financial statements included elsewhere in this offering memorandum.

Sources of financing at the operating company level have included bonds, bank loans, project financing from commercial banks and lending from international agencies, such as the International Finance Corporation, EKN and the Inter-American Development Bank. A description of our external financing can be found under "*Description of Other Indebtedness—Indebtedness by Operation*."

Cash upstreaming

Solid improvement in operating and financial performance of our operations has enabled us to upstream surplus cash on an ongoing basis through a combination of dividends, royalties, business technical service fees and shareholder loan repayments. In fiscal 2016, we upstreamed $577 million from 10 of the 12 countries in which we operate (including Nicaragua), as compared with $742 million and $713 million, respectively, in fiscal 2015 and fiscal 2014. We used this upstreamed cash to fund dividends and costs associated with our corporate headquarters and to service debt incurred by MIC S.A. In the six months ended June 30, 2017, we upstreamed $589 million.

Cash flows

The following table summarizes our cash flows for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(U.S. dollars in millions)				
Net cash provided by operating activities	1,458	1,651	878	399	367
Net cash used by investing activities	(276)	(1,411)	(552)	(333)	(301)
Net cash (used in) provided by financing activities	(1,368)	(84)	(441)	(149)	21
Exchange impact on cash and cash equivalents, net	(29)	(81)	(8)	(1)	–
Net increase (decrease) in cash and cash equivalents	**(215)**	**75**	**(123)**	**(84)**	**88**
Guatemala	–	–	134	422	18
Honduras	–	–	(1)	(2)	(3)
Net increase (decrease) in cash and cash equivalents (underlying)(*)	**(215)**	**75**	**10**	**336**	**103**

(*) Net increase (decrease) in cash and cash equivalents (underlying) is presented on a consolidated basis, including 100% of the Guatemala and Honduras joint ventures and including our discontinued operations in DRC in fiscal 2014 and Senegal for all periods.

Six months ended June 30, 2016 and 2017

In the six months ended June 30, 2017, cash provided by operating activities was $367 million, compared to $399 million in the six months ended June 30, 2016.

Net cash used in investing activities was $301 million in the six months ended June 30, 2017, compared to $333 million in the six months ended June 30, 2016. Property, plant and equipment spend decreased by $61 million in the six months ended June 30, 2017 as compared with the six months ended June 30, 2016, due in part to timing delays on the execution of our capital expenditure plan. During the six months ended June 30, 2016, net cash proceeds received from the sale of our DRC operations was $137 million. During the six months ended June 30, 2017, we also received dividends from joint ventures of $101 million as compared to nil during the six months ended June 30, 2016.

Net cash from financing activities was $21 million in the six months ended June 30, 2017, compared to net cash used of $149 million in the six months ended June 30, 2016. In the six months ended June 30, 2016 and 2017, we distributed $265 million to shareholders in dividends, ($2.64 per ordinary share) and repaid debt of $282 million and $64 million, respectively, while raising funds of $580 million and $350 million, respectively, from other debt and financing.

As a result of the cash flow movements described above, the net cash inflow in the six months ended June 30, 2017 of $88 million was higher than the $84 million outflow in the six months ended June 30, 2016. As a consequence, we had closing cash and cash equivalents balances of $721 million as of June 30, 2017 compared to $684 million as of June 30, 2016.

Years ended December 31, 2015 and 2016

In fiscal 2016, cash provided by operating activities was $878 million, compared to $1,651 million in fiscal 2015. This decrease is mainly explained by the deconsolidation of the Guatemala and Honduras joint ventures. Adjusting for this effect, the depreciation would have increased by $86 million to $1,368 million, mostly related to the purchase price allocation adjustment carried out in Guatemala and Honduras at the end of 2016.

Net cash used in investing activities was $522 million in fiscal 2016, compared to $1,411 million in fiscal 2015. Property, plant and equipment spend decreased by $300 million from fiscal 2015, mainly due to the deconsolidation of Guatemala and Honduras joint ventures. During fiscal 2016, net cash proceeds received from the sale of DRC were $137 million. The remaining difference is related to dividends received from joint ventures of $143 million.

Net cash used by financing activities was $441 million in fiscal 2016, compared to $84 million in fiscal 2015. In fiscal 2016 and 2015, we distributed $265 million to shareholders in dividends ($2.64 per ordinary share) and repaid debt of $821 million and $1,392 million, respectively, while raising funds of $713 million and $1,880 million respectively from other debt and financing. This difference is mainly explained by the deconsolidation of the Guatemala and Honduras joint ventures.

As a result of the cash flow movements described above, the net cash outflow in fiscal 2016 of $123 million was lower than the $75 million inflow in fiscal 2015. As a consequence, we had closing cash and cash equivalents balances of $646 million as of December 31, 2016 compared to $769 million as of December 31, 2015.

Years ended December 31, 2014 and 2015

In fiscal 2015, cash provided by operating activities was $1,651 million, compared to $1,458 million in fiscal 2014. This increase is mainly due to an improvement of $96 million in EBITDA and a decrease in taxes paid of $128 million, partly offset by an increase in interests paid of $27 million.

Net cash used in investing activities was $1,411 million in fiscal 2015, compared to $276 million in fiscal 2014. Property, plant and equipment spend decreased by $109 million from fiscal 2014, due

to an increased focus on investing on projects that would be related to either high speed data networks or IT projects to support the strategy. Fiscal 2014 was impacted by the release of an $800 million pledged deposit related to the UNE Transaction and $175 million proceeds from the disposal of our Mauritius operations and the Colombia tower company.

Net cash used by financing activities was $84 million in fiscal 2015, compared to $1,368 million provided by financing activities in fiscal 2014. In fiscal 2015 and 2014, we distributed $264 million to shareholders in dividends, ($2.64 per ordinary share) and repaid debt of $1,392 million and $1,182 million, respectively, while raising funds of $1,880 million and $1,348 million, respectively, from other debt and financing. The remaining difference related to the $860 million deposit that was used to pay liabilities of the UNE companies as well as acquisitions of non-controlling interests for $39 million. Advances and dividends to non-controlling interests also decreased by $31 million compared to fiscal 2014.

As a result of the cash flow movements described above, the net cash inflow in fiscal 2015 of $75 million was higher than the $215 million outflow in fiscal 2014. As a consequence, we had closing cash and cash equivalents balances of $769 million as of December 31, 2015 compared to $694 million as of December 31, 2014.

Contractual obligations

A description of our material indebtedness can be found in "*Description of Other Indebtedness*" elsewhere in this offering memorandum. As of December 31, 2016, our actual contractual commitments were as follows:

	Payments due			
	within 1 year	Between 1-5 years	After 5 years	Total
	(U.S. dollars in millions)			
Long-term debt[1]	80	2,269	1,552	3,901
Future interest commitments[2]	283	916	71	1,270
Finance lease commitments[3]	81	330	353	764
Operating lease commitments[4]	131	371	225	727
Capital expenditures[5]	326	–	–	–
Total	**901**	**3,886**	**2,201**	**6,662**

(1) Fixed rate and floating rate debt, including hedging activities.

(2) Including unamortized difference between carrying amount and nominal amount of debts.

(3) Finance leases mainly comprise leased towers in Colombia, Ghana and Tanzania under 12-year leases, as further discussed under "*Description of Other Indebtedness—Indebtedness by Operation*," and other non-material lease agreements relating to leased company vehicles.

(4) Operating leases comprise mainly agreements containing commitments relating to land and buildings, including towers sold and leased back, which reflect market conditions in the countries in which these leases are made.

(5) Capital expenditures comprise obligations to purchase network equipment, land and buildings and other fixed assets.

Commitments to purchase network equipment within one year

As of June 30, 2017, we had fixed commitments to purchase network equipment and other fixed and intangible assets from a number of suppliers in the amount of $159 million, of which $142 million are due within one year (excluding joint ventures). We expect to meet these commitments from our current cash balance and from cash generated from our operations.

Capital expenditures

We have made significant capital expenditure investments in licenses, spectrum acquisitions, network upgrades, IT system improvements and sales and distribution capacity over the past several years, and we anticipate that we will continue to invest significantly in our capital expenditure program during 2017. Our budgeted capital expenditure program for fiscal 2017 is $1.0 billion including the Guatemala and Honduras joint ventures and includes expansion of our

cable and broadband networks in Latin America, upgrading and improving the efficiency of our network and our sales and distribution capabilities, acquisitions of additional content and exclusive broadcast rights and development of innovative new services and applications in all of our markets. Our budgeted capital expenditure program excludes license acquisitions and renewals and spectrum. In addition, over the next ten years we expect to incur expenditures to renew our mobile licenses in Bolivia, Chad, Colombia, El Salvador, Ghana, Paraguay, Rwanda and Tanzania and our cable and broadband licenses in most of our Latin American markets (see "*Our Business—Our Services and Market Position—Our Mobile Operations—Selected Mobile Operating Data" and "Our Business—Our Services and Market Position—Home—Selected Home Data*").

Our capital expenditure on property, plant and equipment, licenses and other intangibles by operating segment (excluding those operations where stated) for fiscal 2014, fiscal 2015 and fiscal 2016 and for the six months ended June 30, 2016 and 2017 was as follows:

	Year ended December 31,			Six months ended June 30,	
	2014(*)	2015(*)	2016(*)	2016(*)	2017(*)
	(U.S. dollars in millions)				
Latin America	893	787	619	244	250
Africa	313	242	163	44	52
Corporate	(1)	(5)	4	2	2
Capital expenditure	**1,204**	**1,024**	**785**	**290**	**304**
Guatemala	–	175	166	86	66
Honduras	–	83	81	32	26
Capital expenditure (underlying)	**1,204**	**1,282**	**1,033**	**409**	**396**
Spectrum and license costs, Latin America	41	46	89	64	6
Spectrum and license costs, Africa	47	–	–	–	–
Spectrum and license costs	**88**	**46**	**89**	**64**	**6**
Spectrum and license costs, Guatemala	–	–	4	4	–
Spectrum and license costs, Honduras	–	–	–	–	–
Spectrum and license costs (underlying)	**88**	**46**	**94**	**69**	**6**
Capital expenditure, including spectrum and license costs	**1,292**	**1,071**	**875**	**355**	**310**
Guatemala	–	175	170	90	66
Honduras	–	83	81	32	26
Capital expenditure, including spectrum and license costs	**1,292**	**1,329**	**1,127**	**478**	**402**

(*) All periods exclude our discontinued operations in Senegal and DRC.

Capital expenditure (underlying) in fiscal 2016 included $94 million of spectrum and licenses in Latin America, of which $4 million was for Guatemala.

In 2015, capital expenditure was made on the acquisition of additional spectrum and improvements in the quality of our networks to increase our 3G, 4G and cable footprint.

In 2014, capital expenditure was made on the acquisition and renewal of license and spectrum rights in DRC and Senegal, improved 3G coverage throughout our markets, the launch of 4G coverage in Bolivia, Chad, Honduras and Rwanda and improvements in networks and infrastructure.

Licenses

We have made significant investments in licenses over the past several years, and anticipate further expenditures will be needed to renew our licenses coming due. Our mobile telecommunications licenses in Paraguay (2017, 2021 and 2022), El Salvador (2018 and 2021), Colombia (2019, 2021 and 2023), Ghana (2020 and 2024), Rwanda (2023) and Tanzania (2022) will

be subject to renewal or expiration while the Notes are outstanding and additional investment is also expected in LTE 700 MHz in Colombia and Paraguay. UNE's television license is due for renewal in 2019. Over the next decade, we also expect to make additional spectrum investments in Colombia, Guatemala and Paraguay, and possibly also in some of the other markets in which we operate.

Dividends

As of December 31, 2016, $321 million of the Millicom Group's retained profits represented statutory reserves and were undistributable to MIC S.A.'s shareholders, compared to $384 million and $444 million as of fiscal 2015 and fiscal 2014, respectively. On May 17, 2017, MIC S.A.'s shareholders approved a dividend distribution of $2.64 per share from the Millicom Group's 2016 profits, which was paid in May 2017.

Quantitative and qualitative disclosures about market risk

Exposure to interest rate, foreign currency, non-repatriation, liquidity and credit risks arise in the normal course of our business. We analyze each risk individually and on an interconnected basis and implement strategies to manage the economic impact on our performance in line with our financial risk management policy. Our strategies may include the use of derivatives, but our policy prohibits the use of derivatives in speculative trading. For more information on our market risks and financial risk management, see note D. to our fiscal 2016 consolidated financial statements.

Interest rate risk

Interest rate risk generally arises on borrowings. Borrowings issued at floating rates expose us to cash flow interest rate risk and borrowings issued at fixed rates expose us to fair value interest rate risk. To manage risk, we maintain a combination of fixed and floating rate debt with the goal of equally distributing the debt between the two. We monitor borrowings against this target, applying a dynamic interest rate hedging approach. The purpose of our policy is to achieve a balance between the cost of funding and the volatility of financial results, while taking into account market conditions and our overall business strategy. As of June 30, 2017, 65% of our borrowings and 67% of our borrowings (underlying) were at a fixed rate of interest or variable rates which had been swapped for fixed rates under interest rate swaps, compared to 70% and 71%, respectively, as of December 31, 2016.

Foreign exchange risk

MIC S.A. operates internationally and is exposed to foreign exchange risk arising from various currency exposures. In addition to managing this risk through borrowings denominated in relevant currencies, we have also entered into cross currency swap contracts. For example, when MIC S.A. issued the SEK Bonds, it also entered into various cross-currency interest swap contracts whereby it will sell SEK and receive U.S. dollars to hedge against exchange rate fluctuations for the notional amount of SEK 2 billion (approximately $251 million) and interest payments on this principal. We recycled the cross currency swaps that we entered into in 2012 when MIC S.A. issued its prior SEK-denominated bond that was refinanced by the SEK Bonds. As the timing and amount of cash flows under the swap agreements match the cash flows under the bonds, the swaps are assessed as highly effective. Cash flow hedge accounting has been applied and changes in the fair value of the swaps are recorded in other comprehensive income. As of June 30, 2017, the cash flow hedge reserve on these hedges was $1.1 million, as compared to $3.2 million as of December 31, 2016.

New accounting standards not yet adopted

The following standards have been issued by the IASB but are not yet effective and have not been early adopted by us. They are expected to have a material effect on our consolidated financial statements once adopted.

IFRS 15, "*Revenue from contracts with customers*"

IFRS 15 establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to receive in exchange for transferring goods or services to a customer. We are currently conducting a group-wide IFRS 15 assessment and implementation project. Considering the current commercial offers sold across our operations, we anticipate observing a material impact on our consolidated financial statements when we adopt the standard on January 1, 2018. We are not yet prepared to precisely quantify the various effects of the application of the standard, due to the high volume of transactions impacted and dispersion of the data required. However, from the transition year and thereafter, we expect that revenue would be recognized earlier than it is now, because under IFRS 15, a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception (e.g., a subsidized handset). Therefore, we anticipate that our consolidated financial statements will present a decrease in service revenue and a benefit in telephone and equipment revenue. In addition, the cost incurred to obtain a contract (mainly commissions) will be capitalized in the statement of financial position and will be amortized over the expected customers' retention period. As a result, we expect that our adoption of IFRS 15 will produce an increase in both revenue and EBITDA in the first year it is adopted. There will also be other adjustments implied (such as adjustments to material rights and one-time fees), but we consider those adjustments to be less material than the two adjustments explained above. We expect to adopt IFRS 15 using the cumulative catch-up transition method no later than the compulsory adoption date of January 1, 2018.

IFRS 9, "*Financial Instruments*"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this recording creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) was issued in November 2013 which aligns hedge accounting more closely with risk management and allows us to continue hedge accounting under IAS 39. In 2017, we started the implementation project for IFRS 9, and we expect the implementation of IFRS 9 will have an impact on impairment of trade receivables and contracts assets (IFRS 15) as well as on amounts due from joint ventures and related parties—with the application of the expected credit loss model. However, we do not expect this impact to be material on our consolidated financial statements, and we intend to adopt IFRS 9 no later than the compulsory adoption date of January 1, 2018.

IFRS 16, "*Leases*"

The application of the IFRS 16 will affect primarily the accounting for our operating leases. As of December 31, 2016, we had non-cancellable operating lease commitments of $727 million, as further described in note G.2 of our fiscal 2016 consolidated financial statements. However, we have not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect our results and classification of cash flows. We anticipate that the application of IFRS 16 will affect our net debt and leverage ratios.

Some of the non-cancellable operating lease commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The new IFRS 16 standard will be effective on January 1, 2019 (subject to endorsement by the EU). Early application is permitted, provided the recently issued revenue Standard, IFRS 15 "*Revenue from Contracts with Customers*" is also applied. We intend to adopt IFRS 16 no later than the compulsory adoption date of January 1, 2019 (subject to endorsement by the E.U.).

Critical accounting policies

Please refer to "*New and Amended IFRS Standards*" and "*Judgments and Critical Estimates*" in our fiscal 2016 consolidated financial statements.

Our markets and our industry

Overview

The markets for telecommunications and media services in the countries in which we operate are rapidly evolving, and we believe they follow similar trends in offering opportunities for growth. The middle class in the countries in which we operate is forecast to continue growing and Oxford Economics forecasts that the average household disposable income in Costa Rica, Colombia, El Salvador, Guatemala and Paraguay is expected to approach or exceed $20,000 by 2026, which should drive a significant increase in demand for digital products and services.

There are differences between the individual countries in which we operate and between our regions of Africa and Latin America themselves. For instance, higher income levels in Latin America are reflected in both higher ARPUs and higher smartphone penetration than in Africa; in addition, Latin American public and private operators have invested in fixed-line telephone, cable and broadband networks which are often less well developed in Africa. While the level of market maturity varies between countries, we believe the following key themes are relevant across our footprint.

Mobile

The rapid increase in the consumption of mobile and data services has resulted in high mobile penetration rates, which are bolstered by the prevalence of multiple SIM usage in our markets. In spite of these relatively high penetration rates, the number of connections continues to grow. Customer penetration rates in our markets still lag behind those of developed markets, which suggests that there is further potential for growth.

According to GSMA Intelligence, the mobile internet subscriber penetration rate in 2016 in Latin America and sub-Saharan Africa was 52% and 28%, respectively, as compared with the global average of 48%. It is estimated that mobile data traffic in Latin America and Africa/Middle East will have compound annual growth rates of 47% and 65%, respectively, between 2016 and 2021. According to GSMA Intelligence, 4G mobile coverage throughout Latin America continues to grow, with 4G networks covering 68% of the Latin American population as of March 31, 2017.

In addition, the shift in the type of mobile services consumed and the lack of reliable fixed-line infrastructure in many countries have resulted in mobile data services, internet, media and financial services outpacing mobile voice and SMS services in terms of customers and revenue growth. According to GSMA Intelligence by 2017, there were approximately 4 billion smartphone connections, which is nearly double the 2014 figure, with a median of 37% of mobile users in emerging markets reporting owning a smartphone in 2015, up from 21% in 2013. The availability of lower-end smartphones sold for around $40.00 is improving affordability for a growing number of people to access the internet, driving demand for data services across our markets.

Fixed communications, cable and pay-TV

Fixed-line telecommunications infrastructure has historically been underdeveloped in most of our markets. Coverage is limited to the main urban centers, with typically poor infrastructure in rural or remote areas and limited availability of any fixed-line telecommunications services overall. This low level of development is illustrated by relatively low penetration rates of fixed-line and broadband relative to both developed markets and to mobile penetration rates. Increasingly, in the fixed communications market, customers expect high-speed broadband with two-way capabilities and a variety of information and services.

Cable networks are not well developed through Latin America. The industry is highly fragmented, with multiple providers operating only in some municipalities or regions. Many of these smaller regional players operate networks that have a limited footprint, and the services they can provide are often constrained by lack of investment, allowing for consolidation of the

industry by larger, well-capitalized, operators like us. There has been increasing demand for pay-TV, however, which has been supported by the expansion of cable and DTH to previously unserved areas. According to Ovum, Colombia, for example, had a pay-TV penetration rate of 41% as of December 31, 2016.

We also see an opportunity to grow our B2B business. For businesses, both large and small, commercial success increasingly depends on being connected, offering online distribution and sales channels, enabling web-based customer communications and service, and operating business-critical functions in the cloud. As the economies in our markets grow, so does demand from our business and government customers for high-speed business broadband services and data centers.

MFS

In 2014, an estimated 2.5 billion people in the world had no access to formal financial services, creating an opportunity for low-cost mobile financial services provided via mobile phones. Many of our current and potential customers have limited access to traditional banking services and live in largely cash-based economies, creating an opportunity for mobile operators to provide MFS services to bridge the gap. We believe the rapid uptake of MFS in some of our markets reflects the growth potential of these services in markets where banking regulation allows.

Convergence

Convergence of telecommunications services is nascent in our markets and consists mainly of cross-selling of mobile services and bundling of fixed-line services, with currently few truly convergent fixed line/mobile offerings. Convergence allows telecommunication service providers to gain market share by maximizing their share of a customer's spending across all of its telecommunications services. In turn, this can reduce churn and provide efficiencies in customer-related processes and platforms. While more developed markets such as Colombia have integrated operators capable of offering double and triple-play offerings, most of our markets have not yet reached the level of maturity where bundled offerings are common. Nonetheless, we are observing an increasing take up of multi-play products, especially in our more advanced markets, as bundling of services provides better value for money for customers. Whether it is financial services bundled with mobile, data bundled with pay-TV or voice, data and fixed TV bundled all together, we believe bundling of services will progressively become more common in our markets as our customers will expect the same high quality, fast services to be delivered through all of their terminals and devices. Customers also expect that a large selection of relevant global and local content will be available to them, including sports, movies and music.

Telecommunications in Latin America

We operate in seven markets in Latin America. Key macroeconomic and penetration data are shown below for the countries where we operate.

Country	Population[1]	GDP (in billions)[2]	GDP per Capita[3]	GDP real growth rate[2]	Mobile Penetration[4]	Unique Subscribers[5]	Broadband Penetration[6]	Internet Use[7]
Bolivia	10,969,649	$ 34.04	$ 7,200	4.3%	91.0%	62%	11.1%	45.1%
Colombia	47,220,856	$274.10	$14,100	2.0%	112.5%	66%	48.3%	55.9%
Costa Rica	4,872,543	$ 57.69	$16,100	4.3%	161.0%	80%	42.3%	59.8%
El Salvador	6,156,670	$ 26.61	$ 8,900	2.4%	155.7%	n.a.	24.6%	26.9%
Guatemala	15,189,958	$ 68.39	$ 7,900	3.1%	107.7%	51%	31.4%	27.1%
Honduras	8,893,259	$ 20.93	$ 5,300	3.6%	100.8%	66%	10.5%	20.4%
Paraguay	6,862,812	$ 32.19	$ 9,500	3.5%	106.8%	76%	14.0%	44.4%

(1) Population information, GDP per capita and other macroeconomic and country data have been based on the U.S. Central Intelligence Agency's "The World Factbook." Population data is a 2016 estimate from the World Factbook.

(2) GDP and GDP real growth rate figures are 2016 estimates from the World Factbook.

(3) GDP per capita is presented on a purchasing power parity basis divided by population, based on 2016 estimates derived from the World Factbook.

(4) Mobile penetration rate represents mobile subscriptions divided by population, as measured by TeleGeography as of March 31, 2017 and presented as a percentage.

(5) A unique subscriber is a single individual that can account for multiple mobile connections, as measured by GSMA Intelligence as of December 31, 2015, as a percentage of the 2015 population.

(6) Broadband penetration represents the number of fixed broadband connections by household, as measured by TeleGeography as of March 31, 2017 and presented as a percentage.

(7) Internet use represents the estimated number of internet users divided by population, based on 2015 estimates derived from the World Factbook and presented as a percentage.

GSMA Intelligence estimates in 2015, the mobile industry contributed 5% to GDP in Latin America and the Caribbean. According to GSMA Intelligence, in 2015, the overall mobile connections in Latin America, excluding M2M, was 682 million, with a 107% mobile penetration rate and a unique subscriber penetration rate of 65%. In 2015, the overall number of internet users in Latin America was 327.8 million, of which 217.5 million were Facebook users, and internet traffic in Latin America is forecast to grow by 21% between 2016 and 2021. Mobile data and internet traffic is forecast to grow at an even stronger rate across Latin America, with forecast growth of 47% between 2016 and 2021. High penetration rates are driven largely by users acquiring additional SIM cards to take advantage of competitive price offers, with an average of two SIMs per user across Latin America.

According to GSMA Intelligence, at the end of 2012, 2G services still accounted for 78% of total connections in Latin America, with 3G services accounting for the remaining 22%, but by the end of 2015, 90% of total connections were on 3G networks. As of the end of 2014, GSMA Intelligence estimates that only 2% of connections in Latin America were made via 4G; by mid-2016, this figure had risen to 11% of connections. The availability of higher speed connections has increased the number of smartphones, and between 2010 and 2013, GSMA Intelligence estimates that Latin America had the third highest growth in smartphone connections of any region. The number of smartphone subscriptions across Latin America was 410 million in 2016, an overall penetration rate of 65% according to GSMA Intelligence.

The development of the broadband and cable markets in Latin America has been constrained by insufficient bandwidth, which reduces service quality and speeds, poor or insufficient fixed-line infrastructure, low data device or terminal access and low levels of disposable income constraining demand. ADSL has been the mostly widely adopted technology, although cable modems have been gaining adoption as HFC cables and FTTP have become more available, primarily in urban areas. As telecom operators have been able to bundle services and offer multiple services to a subscriber, the growth of fixed broadband and cable services have increased in Latin America's more mature markets.

Telecommunications in Africa

We currently operate in five markets in Africa. Key macroeconomic and penetration data are shown below for the countries where we operate:

Country	Population[1]	GDP (in billions)[2]	GDP per Capita[3]	GDP real growth rate[2]	Mobile Penetration[4]	Internet Use[5]
Chad	11,852,462	$10.44	$2,600	(1.1)%	48.1%	2.7%
Ghana	26,908,262	$42.76	$4,400	3.3%	128.7%	23.5%
Rwanda	12,988,423	$ 8.34	$1,900	6.0%	77.5%	18.0%
Senegal	14,320,055	$14.87	$2,600	6.6%	96.7%	21.7%
Tanzania	52,482,726	$46.70	$3,100	7.2%	78.6%	5.4%

(1) Population information, GDP per capita and other macroeconomic and country data have been based on The World Factbook. Population data is a 2016 estimate from the World Factbook.

(2) GDP and GDP real growth rate figures are 2016 estimates from the World Factbook.

(3) GDP per capita is presented on a purchasing power parity basis divided by population, based on 2016 estimates derived from the World Factbook.

(4) Mobile penetration rate represents mobile subscriptions divided by population, as measured by TeleGeography as of March 31, 2017 and presented as a percentage.

(5) Internet use represents the estimated number of internet users divided by population, based on 2015 estimates derived from the World Factbook.

According to GSMA Intelligence, at the end of 2015, there were 557 million unique mobile subscribers in Africa, accounting for a total of 965 million mobile connections, although less than half of Africa's population used mobile services, and Africa has the lowest penetration rate of any region. By the beginning of 2017, GSMA Intelligence estimates that 3G networks covered 57.47% of the African population and 4G networks covered 27.47%, with 3G and 4G connections forecast to account for two-thirds of the total connections in West Africa by the end of 2020.

According to GSMA Intelligence, in 2015, the mobile industry in Africa contributed 6.7% to GDP, representing $150 billion of economic value and supported 3.8 million jobs. Internet traffic is forecast to grow strongly across Africa, as well, with a forecast growth of 42% across Africa and the Middle East between 2016 and 2021. Mobile internet is forecast to grow even more, with mobile data and internet traffic forecast to grow 65% across Africa and the Middle East between 2016 and 2021. Mobile has become a cornerstone for industries including agriculture, banking, education and healthcare, enabling greater penetration than the limited fixed-line infrastructures in the African markets in which we operate. Most mobile subscriptions in Africa are prepaid, with voice services continuing to dominate the market but data services growing strongly.

One of the most important trends of the last few years in the African mobile telecommunications market has been the rapid development of MFS throughout Africa. As of September 2014, GSMA Intelligence estimates that more than half of the world's active mobile money services for those without access to traditional banking services were located in Africa. According to a Gallup 2011 survey, the introduction or extension of MFS throughout Africa has the potential to improve the lives of millions. In the countries surveyed, Gallup found that approximately 53% of the adult population surveyed had paid or had been paid by a counterparty in a different part of the country in the previous 30 days, and 31% of adults still use only informal cash payment systems. In addition, 32% of adults in the surveyed countries reported having received at least one domestic remittance within the previous 30 days. Survey participants reported using remittances to send money to a school, pay utility bills or other debt obligations, and 12% reported have received money from a government agency or employer during that period. This study also reported that respondents in rural areas were considerably more likely to have sent or received money via MFS than those living in cities. All of this points to a potentially immense expansion potential for MFS in African markets.

Our business

We are a leading telecommunications group operating in Latin America and Africa. Under our Tigo brand, we provide a wide range of mobile and fixed communications services, including voice and SMS, high-speed data, cable television, mobile financial services, and business solutions. For the twelve months ended June 30, 2017, our revenue (underlying) was $6,103 million and EBITDA (underlying) was $2,164 million, with an EBITDA margin (underlying) of 35.5%.

In Latin America, we provide both mobile and fixed services in 6 countries (Bolivia, Colombia, El Salvador, Guatemala, Honduras, and Paraguay) and provide only fixed services in Costa Rica. Our Latin American markets contributed 88.5% of our revenue (underlying) for the six months ended June 30, 2017. In Africa, we provide mobile services in 4 countries (Chad, Ghana, Rwanda, and Tanzania), with our Senegal operation classified as a discontinued operation following our sale announcement in February 2017.

We hold either the first or second position in 8 of our 10 mobile markets and 5 of our 7 cable and broadband markets. As of June 30, 2017, we provided services to 54.6 million mobile customers (B2C and B2B customers) and 3.2 million cable and broadband households. As of June 30, 2017, we had 21.1 million mobile data subscribers, offered 4G mobile services in 9 of our 10 mobile markets and had 5.0 million 4G mobile customers. B2C mobile revenue (underlying) was 59.5% of our total revenue (underlying) for the six months ended June 30, 2017, B2B services contributed 15.5% and Home services contributed 18.4%.

Our strengths

We operate in markets with attractive fundamentals and telecommunications sector dynamics

We operate in high-growth markets that benefit from relatively young and growing populations with steadily increasing disposable incomes and purchasing power.

- **Mobile**: Our core mobile business remains strong despite changing consumer behavior, following patterns observed recently in more mature markets. Our revenue from data continues to grow rapidly, helping to offset the erosion in voice and SMS revenue. The deployment and expansion of our 4G networks and the proliferation of affordable 4G-enabled smartphones is driving rapid growth of our mobile data revenues, which represented 40.4% of our total mobile revenue (B2C mobile and B2B mobile) in the six months ended June 30, 2017, compared to 32.1% in the six months ended June 30, 2016 (including the Guatemala and Honduras joint ventures, these figures were 39.7% and 31.7%, respectively). Penetration of traditional mobile voice services is relatively high in our markets, but data penetration (measured as the percentage of our mobile customers also using our data services) is much lower, at 38.6% on average as of June 30, 2017, an increase from 32.5% as of June 30, 2016. Our customers in our Latin American markets have an average smartphone penetration rate of 46.8% as of June 30, 2017, compared to average smartphone penetration rates of 46.8%, 68.7% and 78.6%, respectively, in Chile, Brazil and the U.S., according to GSMA Intelligence as of December 31, 2016.

- **Home**: The markets in which we offer Home services are characterized by youthful populations and rapid household formation, declining poverty rates, and a growing middle class. We believe that these socio-demographic trends improve affordability and drive demand for our Home services, with high-speed broadband increasingly becoming the anchor product. As discussed under "*Our Markets and Our Industry*," broadband penetration rates are low in our Latin American markets, ranging from 11.1% in Bolivia to 48.3% in Colombia as of March 31, 2017, according to TeleGeography. These penetration rates compare to penetration rates of 37.6% in Brazil and 60.9% in Chile as of December 31, 2016, according to Ovum.

We are a leader in most of our markets

We have substantial market shares in most countries in which we operate. As shown above below *"—Our Services and Market Position*," we are either the number one or number two mobile operator in most of our markets, and we also have market leading shares in broadband and pay-TV. Our strong market position provides us with a competitive advantage stemming from economies of scale, including deploying and managing our telecom network, selling and marketing, and back office functions.

Our revenue streams are highly diversified by country, service and customers

We provide a wide range of telecommunications services to millions of customers across 7 countries in Latin America and 4 countries in Africa. Our group's financial performance is not dependent on the results of any individual country, and the macroeconomic trends in the countries where we operate tend to exhibit low correlation with each other. In the six months ended June 30, 2017, no single country generated more than 29% of our revenue (underlying). South America accounted for 48%, Central America 41% and Africa the remainder, reducing our exposure to foreign exchange fluctuations since all our operations have different local currencies which present low correlations between themselves.

We have a highly valuable brand, Tigo, around which we have created a strong brand identity

We benefit from a high level of Tigo brand awareness in our markets, which we regularly monitor through brand trackers and other customer surveys. We believe that our brand is among the strongest in our markets and compares favorably against our competitors. Strong brand recognition is an important factor allowing us to up-sell and cross-sell our services and to introduce new services that require a strong level of trust from consumers, such as MFS.

We have invested extensively in our modern fixed and mobile high speed data networks and continue to do so

We have a substantial 4G mobile network and advanced HFC network base in which we continue to invest. We have licenses and a network to offer 4G services in 9 of our 10 mobile markets, and we continue to extend coverage of our 4G network. As of June 30, 2017, our 4G network population coverage ranged from 9% in Chad to 61% in Guatemala. We are expanding the footprint of our HFC networks and connecting homes and businesses to our network. We added 1.2 million new HFC homes passed during the twelve-month period ended June 30, 2017 throughout Latin America, which increased our total HFC homes passed to 7.9 million as of June 30, 2017. Our ambition is to reach a footprint of 15 million homes passed. Our rapidly expanding high-speed data networks are designed to meet our customers' existing and future needs, whether at home or on the move.

Our convergent capabilities enhance our strong market positions in Latin America

As we expand the size of our HFC network, our ability to offer both fixed and mobile services provides us with another way to differentiate ourselves from the competition in most of our markets. Convergence also allows us to leverage our existing tangible and intangible assets, such as our network, our brand, and our local management talent and market knowledge, to generate new revenue streams from existing customers, attract new customers and reduce customer churn.

We provide innovative digital lifestyle services to drive data adoption and usage on our networks

We have created strategic partnerships with a number of global and local digital players to provide relevant content for our customers, including sports, movies and music. We rely on innovation to drive mobile data adoption and usage in the price-sensitive and predominantly-prepaid markets in which we operate. For example, our "All you can App" content-based model

for data consumption provides our prepaid customers with unrestricted, time-based, access to their mobile applications. We are also rapidly converging and digitizing mobile data channels to provide a seamless user experience across our digital and fixed platforms. For example, during the month of December 2016, we had 3.3 million active customers using our digital channels, including Tigo Shop (our product e-store) and Mi Tigo (our self-care solution).

We are committed to Corporate Responsibility, doing business the right way and driving positive change in the societies where we operate

Our Corporate Responsibility program, which is further discussed under "*—Corporate Responsibility*," directly addresses the wider impacts our business operations have in our communities. We focus on applying our technological expertise to address gaps in development in the societies where we operate. We believe that our commitment to Corporate Responsibility differentiates us in the markets in which we compete, reinforces our positive brand image, and helps make us an employer of choice in the region. In May 2017, we placed among the top 20 multinational employers of choice in Latin America, and the only telecommunications company, in the 2017 Great Place to Work awards.

Our management team has significant emerging market and industry expertise, and a strong track record of performance

Throughout our 25-year history, we have focused exclusively on providing telecommunications services in emerging market countries. In more than half of our markets, our presence dates back more than twenty years, providing us with a significant pool of local management experience and talent.

Since our CEO and CFO joined us in April 2015 and June 2014, respectively, we have sharpened our focus on free cash flow generation and the deployment of high-speed data networks, primarily in Latin America, where we generate our highest returns on capital employed. Through 'Project Heat', the efficiency program that we launched in 2015, we have been transforming our business towards a leaner model through cost control and efficiency, as discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting the Millicom Group's Business—'Project Heat'*." Our business transformation has supported our financial performance, despite the adverse impact of declining voice revenue in core mobile business and the cost of deploying 4G and of accelerating our HFC build out.

As part of 'Project Heat', we have also undertaken a review and transformation of our information technology systems and solutions, which we believe is one of the key factors that have allowed us to lower our capital expenditure (underlying) by 20% from $1,282 million in fiscal 2015 to $1,019 million for the twelve months ended June 30, 2017. Partially as a result of 'Project Heat', Free Cash Flow (underlying) increased by 11% from $457 million in fiscal 2015 to $508 million for the twelve months ended June 30, 2017 and EBITDA margin (underlying) improved by 1.6 bps from 33.9% in fiscal 2015 to 35.5% for the twelve months ended June 30, 2017. See "*Historical Financial Information and Operating Information—Historical Financial Information—Summary of Other Financial Information*."

Our senior management team includes the following members, among others (see "*Management—Senior Management and Employees*"):

- Mauricio Ramos, our Chief Executive Officer, joined us from Liberty Global, where he was president of Liberty's Latin American division since 2006 after holding several other leadership roles. Mauricio is also Chairman of TEPAL, the Latin American Association of Cable Broadband Operators, and is a member of the board of directors of the GSMA and Charter Communications.
- Tim Pennington, our Chief Financial Officer, has over 20 years of experience in leadership positions in the telecommunications and banking industries, having served as CFO for 13 years at Cable and Wireless and Hutchison Telecommunications before joining us.

Our strategy

Given the shift to an increasingly data-centric market and the growing importance of customer base management, we are conducting a two-fold reconfiguration of our business: on revenue and on costs. First, on revenue, we are accelerating the migration from mobile voice and SMS to 4G data, and we are expanding our HFC network to support our growing Home and B2B businesses. Second, on costs, we are focusing on efficiency and transforming our business using digital services as enablers to capture distribution and operational efficiencies, increase operational leverage, drive cash flow growth and deliver a superior customer experience.

Our strategy has several key pillars:

Monetizing mobile data

Our mobile networks continue to experience rapid data traffic growth, and we are very focused on making sure that incremental traffic translates into additional revenues. Our mobile data monetization strategy is built around a number of key drivers:

- **4G/LTE network expansion**: We are expanding the coverage of our 4G networks, as these enable us to deliver high volumes of data at faster speeds in a more cost-efficient manner than on 3G networks. In Latin America, 4G represented 40.4% of all data traffic as of June 30, 2017, and we increased the number of 4G customers from 1.9 million as of June 30, 2016, to 4.7 million as of June 30, 2017.
- **Smartphone adoption**: We are driving the adoption of data-capable smartphone devices, particularly 4G/LTE, with a strong device portfolio and postpaid plan strategy, which enables our customers to use data services on the move. As of June 30, 2017, our smartphone user base in Latin America was 21.7 million customers, or 66.0% of our total Latin American customer base.
- **Stimulating data usage**: We are creating compelling data-centric products and services to encourage our consumers to consume more data, while maintaining price discipline and sustaining our mobile data margins. For example, we have introduced digital innovations with access to specific applications charged based on time-usage rather than data consumption. As of June 30, 2017, we had 14.2 million data subscribers in Latin America and 6.9 million in Africa, representing a penetration rate of 43.0% and 31.9%, respectively, of our total customer base.

Accelerating cable growth

We are moving quickly to meet the growing demand for high-speed data from residential and business customers alike in our Latin American markets. We are addressing this via three priorities:

- **Accelerate our HFC network expansion**: We are accelerating the roll-out of our high-speed HFC fixed network, we are complementing our organic build out with small targeted acquisitions. During fiscal 2016, we expanded our HFC network to pass an additional 777,000 homes. However, during the twelve months ending June 30, 2017, we added 1.2 million homes-passed to our HFC network. As of June 30, 2017, our HFC network accounted for 7.9 million out of our total 8.6 million homes passed. We continue to upgrade our remaining networks (comprised mostly of copper) to HFC.
- **Increase our commercial efforts to fill the HFC network**: As we expand our HFC network, we also deploy commercial resources necessary to begin monetizing our investment. Specifically, the HFC network allows us to sell additional services to existing customers in order to drive ARPU growth. The bundling ratio on our HFC network increased to 1.80 RGUs per household as of June 30, 2017 from 1.75 as of June 30, 2016. Over the past year, ARPU per home connected increased by 4.1% year-on-year in local currency terms to $27.95 as of June 30, 2017.

- **Product innovation**: We drive customer adoption onto our network by expanding our range of digital services and aggregating third-party content, including exclusive local content, enabling us to differentiate our offerings from others in the market. For example, we have agreements with local soccer teams, leagues and sports channels in Bolivia, Colombia and Paraguay to air matches exclusively on our pay-TV channels. We have also recently agreed a partnership with Sony to provide Crackle, Sony's OTT content service, in Colombia, Costa Rica, Guatemala and Honduras.

Capitalizing on convergence opportunities

In all of our Latin American markets, we are one of the few existing mobile players with the strategic intent and necessary resources to build a high-speed broadband network. As we expand our HFC networks, our ability to offer convergent services is enhanced, and we are investing to deploy IT solutions that allow us to efficiently market and support convergent solutions for our customers. We expect that convergence will help differentiate us in the marketplace and will increase customer satisfaction and loyalty, thereby improving customer churn and costs. Our focus on convergence also reflects our expectation that future network deployments, such as 5G, will require significant fiber network capacity and capillarity, as well as the spectrum, radio, and other components of today's mobile networks. In essence, we expect future networks are likely to be convergent by nature.

Expanding our addressable market in B2B

The expansion of our HFC network is creating new opportunities for us to target B2B customers by offering them a more complete suite of communications and data services. Convergence usually occurs earlier in the SMB segment, which are typically price-sensitive customers that expect high service levels. Our strategy is to selectively evolve our portfolio into ICT managed services to avoid excessive fragmentation and operational risk, while building the Tigo brand and differentiating through our service model and frontline execution. We believe that the SMB segment represents a particularly attractive opportunity for growth, as SMBs digitize their business and operations, using digital communications and implement cloud and data center solutions in line with what we see in more developed markets in Latin America.

Optimizing capital expenditure and operational expenditure to generate Free Cash Flow

In recent years, we have reduced cost and improved capital efficiency by implementing managed services and network sharing agreements. Through 'Project Heat', we have sought to simplify our business by reducing products, vendors, processes and systems, and by standardizing our architecture and technology choices. Moreover, we are using advanced analytics and big data to support our investment decisions. For example, we decommissioned 400 mobile radio sites during the twelve months ended June 30, 2017, thereby lowering our maintenance costs without sacrificing network quality.

In the context of an increased focus on customer centricity and customer based management, operational excellence and frontline execution become more important than ever to 'delight' our customers in all their interactions with us, while not leaving money on the table through 'leakage' (sales-to-installation cycle, retention, downgrade/upgrade management, collections and revenue assurance, all become more relevant). We aim to continue to drive our existing efficiency agenda while further expanding it to new categories and processes in a continuous improvement effort.

We are focused on digital innovation in products, operations and distribution to enhance our performance and efficiency

We are focusing our digital innovation on products and customer-facing developments that drive user adoption of high-speed data services: data monetization, video consumption (Tigo Play and TiVo), a superior digital user experience (Tigo Shop App for prepaid, Mi Tigo App for postpaid) and MFS. We intend to focus on penetrating these digital products among our digital user base.

We are evolving our strong commercial distribution network to operate digitally which we believe will improve both customer experience and operational efficiency. To enable a seamless and integrated experience across sales and care touchpoints, we are implementing a business transformation that links user experience, digital innovation, business processes and our back-end ICT systems.

Doubling down on customer centricity and customer base management

We are adopting and deploying a net promoter score (NPS) program, which we believe will strengthen our customer centric culture. The NPS is an index that measures our customers' willingness to recommend our products and services to others and serves as a proxy for customer satisfaction and loyalty. In addition, as value-creation potential shifts from subscriber acquisition to retention, upsell, and cross-sell, we are sharpening our focus on customer base management to increase the sophistication with which we manage our base, including the adoption of analytics-based segmentation and a shift from above the line to below the line sales and marketing. We are investing to strengthen our capabilities and solidify this new cultural mindset among all of our teams.

Our services and market position

Our business is principally organized by region (Latin America and Africa) and by the following organizational business units:

- B2C mobile services: mobile voice, SMS, data and MFS;
- Home: fixed broadband and pay-TV; and
- B2B services: mobile, fixed, and VAS to corporate and government customers.

The following table summarizes the services that we offer in our 10 mobile markets and Costa Rica:

	Latin America	Africa
B2C mobile	2G/3G/4G[1] voice, SMS, data MFS[2]	2G/3G/4G[1] voice, SMS, data MFS[2]
Home	Broadband[3] Pay-TV[4] Fixed telephone	–
B2B	Mobile voice, SMS and data Fixed line voice and high-speed data services Value-added services[5]	Mobile voice, SMS and data Fixed line voice and high-speed data services Value-added services[5]

(1) We currently offer 4G services in Bolivia (2014), Paraguay (2016), Colombia (2013), Guatemala (2015), El Salvador (2016), and Honduras (2014) in Latin America, and in Tanzania (2015), Chad (2014) and Rwanda (2015) in Africa.

(2) We currently offer MFS services in all mobile markets except Colombia.

(3) We currently provide fixed-broadband services through HFC and copper in Colombia, LTE in Honduras and Paraguay and WiMAX in Paraguay.

(4) We currently offer pay-TV services through HFC and DTH in all of our Latin American markets and also through (i) copper in Colombia, (ii) MMDS in Bolivia and (iii) UHF in Paraguay.

(5) Value-added services include cloud-based services and ICT managed services.

Subsidiaries

The following table shows certain information for each of our subsidiaries as of June 30, 2017.

Market	Company name	Ownership	Start-up/ acquisition date	Population of area[1]
Latin America				
Bolivia	Telefónica Celular de Bolivia S.A.	100%	1991	11.0
Colombia	UNE-EPM Telecomunicaciones S.A. / Colombia Móvil S.A.	50.0% +1 voting share	2006	47.2
Costa Rica	Millicom Cable Costa Rica S.A.	100%	2008	4.9
El Salvador	Telemóvil El Salvador S.A. de C.V.	100%	1993	6.2
Guatemala	Comunicaciones Celulares S.A.	55.0%	1990	15.2
Honduras	Telefónica Cellular S.A.	66.7%	1996	8.9
Paraguay	Telefónica Celular del Paraguay S.A.	100%	1992	6.9
Africa				
Chad	Millicom Tchad S.A.	100%	2004	11.9
Ghana	Millicom Ghana Company Limited	100%	1992	26.9
Rwanda	Tigo Rwanda S.A.	100%	2009	13.0
Senegal[2]	Sentel GSM S.A.	100%	1999	14.3
Tanzania	MIC Tanzania Limited	100%	1994	52.5
Zanzibar	Zanzibar Telecom Limited	85%	2015	–

(1) Population data are 2016 estimates derived from the World Factbook, shown in millions.

(2) Discontinued operation.

The table below sets forth our revenue by business unit and by percentage of total revenue, as well as the growth between periods, for the years ended December 31, 2015 and 2016 and the six-month periods ended June 30, 2016 and 2017.

	Year ended December 31,			Six months ended June 30,			Six months ended June 30, 2017
	2015	2016	Percentage change	2016	2017	Percentage change	Percentage of total revenue (underlying)
	(U.S. dollars in millions, except percentages)						
B2C mobile	3,956	3,730	(5.7)%	1,867	1,797	(3.8)%	59.5%
Home	1,017	1,032	1.4%	505	556	10.0%	18.4%
B2B	938	921	(1.8)%	452	468	3.5%	15.5%
Others[*]	552	438	(20.8)%	216	202	(6.6)%	6.7%
Total revenue (underlying)	**6,463**	**6,121**	**(5.3)%**	**3,039**	**3,022**	**(0.6)%**	**100%**
Adjustment for discontinued operations	108	127	17.9%	–	–	–	–
Adjustment for Guatemala and Honduras	–	1,875	–	944	931	**(1.4)%**	–
Total revenue	**6,572**	**4,374**	**(33.4)%**	**2,096**	**2,091**	**(0.2)%**	**–**

(*)"Others" includes nonrecurring revenue, such as terminal and equipment sales, inbound roaming and miscellaneous revenue.

The table below sets forth our revenue by geography and by percentage of total revenue, as well as the growth between periods, for the years ended December 31, 2015 and 2016 and the six-month periods ended June 30, 2016 and 2017.

	Year ended December 31,			Six months ended June 30,			Six months ended June 30, 2017
	2015	2016	Percentage change	2016	2017	Percentage change	Percentage of total revenue (underlying)
	(U.S. dollars in millions, except percentages)						
Latin America							
Bolivia	531	542	2.1%	268	267	(0.4)%	8.8%
Colombia	1,982	1,717	(13.4)%	831	860	3.5%	28.5%
Costa Rica	151	152	0.7%	77	76	(1.3)%	2.5%
El Salvador	448	425	(5.1)%	214	208	(2.8)%	6.9%
Paraguay	673	623	(7.4)%	315	324	2.9%	10.7%
Guatemala	1,306	1,284	(1.7)%	642	646	0.6%	21.4%
Honduras	649	609	(6.1)%	311	294	(5.5)%	9.7%
Total Latin America	**5,740**	**5,353**	**(6.7)%**	**2,658**	**2,675**	**0.6%**	**88.5%**
Africa	**721**	**768**	**6.6%**	**382**	**347**	**(9.2)%**	**11.5%**
Other	16	15	(3.8)%	6	7	9.4%	0.2%
Eliminations	(14)	(16)	14.3%	(8)	(7)	(6.7)%	(0.2)%
Revenue (underlying)	**6,463**	**6,121**	**(5.3)%**	**3,039**	**3,022**	**(0.6)%**	**100%**
Guatemala	–	(1,273)	–	(637)	(640)	0.4%	–
Honduras	–	(602)	–	(307)	(291)	(4.9)%	–
Senegal	108	128	18.3%	–	–	–	–
Revenue	**6,571**	**4,374**	**(33.4)%**	**2,096**	**2,091**	**(0.2)%**	**–**

All key performance indicators that are not derived from our consolidated financial statements and are presented in this offering memorandum (such as customer numbers and presentations related to or derived from customer numbers, including ARPU numbers) for all periods presented include 100% of the operations in Guatemala and Honduras but exclude our discontinued operations in Senegal and DRC, notwithstanding the differing accounting treatment which may apply to figures contained in or derived from our consolidated financial statements.

Our mobile operations

Our mobile business unit, which represents our primary source of revenue, comprises voice, SMS, data and VAS. We provide our services through 2G and 3G networks in all our markets and have 4G-enabled networks in 9 of 10 of our mobile markets in response to rapidly accelerating data penetration and growth of mobile data usage. We have been offering 4G services in Colombia, Bolivia, Chad and Honduras since 2014. As of June 30, 2017, we were also offering 4G services in Paraguay, Guatemala, El Salvador, Tanzania and Rwanda. We benefit from our extensive distribution network of 773,727 points of sale across the 10 countries in which we provide mobile services as of June 30, 2017. We are investing in expanding our coverage in Africa and increasing our capacity in Latin America, and expect to continue investing in technology to meet market demands in line with our overall business strategy.

Data services have become an increasingly important contributor to our mobile business, as digitization has rapidly accelerated across our markets. While our B2C mobile customers remained stable and revenues declined in fiscal 2016 by 5.7% from fiscal 2015, our B2C and B2B mobile data subscribers and revenues grew by 16.8% and 18.5%, respectively, over the same period. In the six-month period ended June 30, 2017, our B2C mobile customers continued to remain stable, revenue continued to decrease by 3.2%, whereas our B2C and B2B mobile data subscribers and revenues grew by 19.3% and 20.4%, respectively, from the six-month period ended on June 30, 2016. In fiscal 2016, data penetration as a percentage of mobile customers was 42.9% in Latin America, and penetration of 4G customers was 10.7% of our total mobile customers in Latin America. In the six-month period ended June 30, 2017, data penetration as a percentage of mobile customers was 43.0% in Latin America, and penetration of 4G customers was 14.4% of our total mobile customers in Latin America.

We have been offering Tigo Music, a local content music streaming service for mobile customers, in El Salvador and Paraguay since 2013, and in Guatemala, Honduras, Ghana and Tanzania since 2014 and 2015 for the latter. In 2013, we also launched free Facebook access in the local language in Paraguay, and in partnership with Facebook, we rolled out the 'internet.org' application to our customers in Tanzania in 2014, and Colombia in 2015. The 'internet.org' application provides free basic internet services, allowing customers in our markets who may be using the internet for the first time access to selected health, employment and local information websites, many in the local language, without data charges. We expect this initiative to not only drive further data penetration in our markets but also to provide our customers with branded access to education, technology and commerce.

In 2017, we released a new version of our Tigo Shop mobile application, a new distribution channel for smartphone users where they can acquire, through in-app purchases, packages for mobile services including purchasing additional minutes, data or combos and the usage of OTT (over-the-top) providers like WhatsApp, YouTube or Facebook directly from the prepaid balance on their accounts. Tigo Shop is a new and innovative way to approach packages for prepaid users that improves and streamlines the user experience, gives users increased flexibility to consume data, and allows for better understanding of user behavior and improved monetization of data.

Tigo Smart, which is focused on smartphone users, is available to our customers in El Salvador, Guatemala, Honduras and Paraguay. We sell entry-level smartphones, which are phones offering limited functionality, typically voice calling, text messaging and access to data and applications, online in Bolivia, Colombia and Guatemala, as well as in stores and via our sales force in all of our Latin American markets.

Entry-level smartphones offer the user an upgrade from a full-feature phone, enabling them to access the internet and simple third-party applications, whereas higher-end smartphones with more substantial operating systems offer a much wider range of applications and capabilities. Smartphones require reliable, urban network coverage, and as this coverage becomes more widely available, smartphones are becoming more appealing to our customers. As of June 30, 2017, 48.9% of our customers were using smartphones. Entry-level smartphones are now increasingly available for less than $40.00, which is improving affordability for a larger segment of the population. As many of our customers do not have traditional bank accounts, smartphones are also used for basic financial services, such as person-to-person transfers, bill payments, employer-to-worker payment, access to saving accounts and returns on deposits on mobile phone wallet balances. We offer these services through our MFS, the demand for which has increased significantly across our markets. Demand in Latin America increased by 13.8% from June 30, 2016 to June 30, 2017 and demand in Africa increased by 13.0% over the same period.

Our mobile technology

In the first half of 2017, we have focused on increasing the digital capabilities of our mobile networks, in part by extending our 4G network coverage, a technology that enables a step change in the size and speed of data services that can be delivered to the mobile customer. Our mobile networks (2G, 3G and 4G) are supplied by leading telecom equipment manufacturers, including Ericsson and Huawei. As of June 30, 2017, we have deployed 4G networks in all of our mobile markets, except Ghana, where we do not have a 4G license; however, our network in Ghana is equipped and ready to provide 4G services.

4G is the fourth generation of mobile technology, succeeding 3G, and it is based on Internet Protocol (IP) technology, as opposed to prior generations of mobile communications which were based on and supported circuit-switched telephone service. Our 4G networks enable us to offer new services to our customers such as video calls and mobile broadband data with richer mobile content, such as live video streaming.

Our 4G networks also give us significantly more capacity to provide services than our 3G and 2G networks using our current spectrum. Our 4G networks are normally co-located with existing infrastructure, allowing faster and cost-effective network deployment. In Colombia, we have a 4G network sharing agreement with our competitor Telefonica (Movistar), with whom we share the cost of deploying and maintaining our 4G network. We believe that this agreement significantly reduces our network-related investment needs.

We plan to continue to expand our 4G networks across our markets as additional spectrum becomes available.

B2B

We are increasing our focus on the B2B mobile voice and data market through our Tigo Business service, which represented 15.9% of our mobile revenue in fiscal 2016 and 16.5% of our mobile revenue for the six-month period ended June 30, 2017. Our total B2B revenue grew by 3.5% from the six months ended June 30, 2016 to the six months ended June 30, 2017, with fixed services growing by 6.1% offset by mobile services declining by 1.2% over the same period. Our 4G networks allow our business customers to deploy new applications, such as security systems and cloud-based data services. As a result, mobile data revenue from B2B customers continues to grow rapidly, partially offsetting the ongoing decline in revenue from voice and SMS services.

Competitive position in the mobile market

The following table shows our estimated customer market share and market position of our mobile business (including B2C mobile and B2B mobile) as of March 31, 2017:

	Mobile		
Market	**Market share[(1)]**	**Market share position**	**Primary competitors**
Latin America			
Bolivia	30.1%	2 of 3	Entel, Viva
Colombia	18.3%	3 of 5	Claro, Movistar
El Salvador	35.0%	1 of 5	Claro, Movistar, Digicel
Guatemala	52.5%	1 of 3	Claro, Movistar
Honduras	57.2%	1 of 3	Claro
Paraguay	44.8%	1 of 4	Telecom Personal, Claro
Africa			
Chad	55.4%	1 of 3	Airtel
Ghana	14.2%	3 of 7[(2)]	MTN, Vodafone, Airtel
Rwanda	35.3%	2 of 3	MTN, Airtel
Tanzania (including Zantel)	29.7%	2 of 7	Vodacom, Airtel

(1) Market share calculations are based on data provided by TeleGeography as of March 31, 2017.

(2) Millicom Ghana's market share position regularly fluctuates between second and third position. We have agreed to merge our operations with Airtel (as discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions—Ghana Combination*"). Airtel's market share was 10.6% as of March 31, 2017.

Selected mobile operating data

The following tables present, at the dates and for the periods indicated, selected operating data for each of our mobile operations.

Market	Total customers as of December 31, 2014	2015	2016	Total customers as of June 30, 2016	2017
Latin America					
Bolivia	3.2	3.1	3.1	3.0	3.2
Colombia	8.0	8.9	7.8	9.0	8.0
El Salvador	2.9	3.0	3.2	3.0	3.4
Guatemala	8.4	8.8	9.5	9.0	9.9
Honduras	4.6	4.8	4.8	4.7	4.9
Paraguay	3.9	3.9	3.6	3.8	3.5
Total Latin America	**30.9**	**32.6**	**32.0**	**32.6**	**32.9**
of which prepaid	87.2%	87.6%	87.6%	88.0%	87.6%
Africa					
Chad	2.7	3.0	3.1	3.1	3.2
Ghana	3.8	4.1	3.9	4.0	4.0
Rwanda	2.5	2.8	3.0	2.8	2.9
Tanzania	8.2	10.4	10.7	10.7	10.6
Tanzania (Zantel)	–	1.4	1.0	1.2	0.9
Total Africa	**17.3**	**21.6**	**21.8**	**21.8**	**21.7**
of which prepaid	99.5%	99.4%	98.7%	99.3%	98.7%
Total	**48.2**	**54.2**	**53.8**	**54.4**	**53.4**
of which prepaid	91.6%	92.3%	92.1%	92.5%	92.0%

Customer Data:

	As of and for the year ended December 31, 2014	2015	2016	As of and for the six months ended June 30, 2016	2017
	(in millions, except percentages and where noted)				
B2C mobile customers	47.0	53.0	52.4	53.2	53.1
of which Latin America	29.8	31.4	30.9	31.5	31.7
of which Africa	17.2	21.5	21.3	21.6	21.4
B2C mobile Latin America					
of which B2C mobile data	9.6	11.4	13.1	11.4	13.4
of which 4G customers	–	0.9	3.4	1.9	4.7
ARPU (U.S. dollars)	6.47	6.14	5.74	5.73	5.51
Latin America	8.76	8.37	7.87	7.87	7.56
Africa	3.66	2.64	2.66	2.62	2.51

Licenses

The following table sets forth the expiration dates and frequency allocations of our material mobile telecommunications licenses. 850/900/1800/1900 MHz frequencies are used for 2G and 3G services, 700/800/850/AWS/2600 frequencies are used for 4G services and 3500 MHz frequencies are used for WiMAX broadband services. We are not currently subject to any proceedings challenging to the validity of any of our telecommunications licenses.

		Frequency allocation				
Country	Renewal year (spectrum and/or license)	700/ 800 MHz	850/ 900 MHz	1800/ 1900 MHz	AWS[1] or 2100 MHz	2300/ 2600 MHz
Latin America						
Bolivia	2028/2030	24	25	20	30	–
Colombia	2019/2021/2023	–	–	55	30	–
El Salvador	2018/2021/2028	–	25	10	–	–
Guatemala	2032/2033	–	48/12	–	–	35
Honduras	2028	–	50	–	40	
Paraguay	2017/2021/2022	–	25	30	30	–
Africa						
Chad	2024	–	20	50	20	–
Ghana	2020/2024	–	16	20	20	–
Rwanda	2023	–	17	20	30	–
Senegal	2028	–	20	18	30	–
Tanzania	2022/2037	20	13[2]	25	20	–
Tanzania (Zantel)	2031	–	10	20	20	–

(1) AWS frequencies are 1700/2100 MHz.

(2) In Tanzania, 10 MHz frequency is also used outside Dar es Salam.

MFS in B2C mobile

We believe there is significant growth potential for Tigo Money, our MFS services, with 54% of adults in Sub-Saharan Africa making one or more payments in any given month, representing five billion transactions annually. MFS provides customers with access to national and international money transfer and payment services. For example, our Tigo Cash service is a mobile wallet system that allows customers to send money to anyone in the Tigo network using their mobile phone. Customers deposit cash with a Tigo Cash agent at a Tigo point of sale. Once the subscriber has received a text message confirming the deposit, the subscriber can access the Tigo Cash menu on the phone to transfer money to another customer. The recipient of the money transfer can then go to a Tigo point of sale and withdraw cash. MFS allows us to provide an affordable, fast, convenient and safe way to transfer money using a mobile phone, a service that can be especially valuable to customers who do not have bank accounts or convenient access to financial institutions. Our MFS services include money transfers, peer-to-peer transfers, merchant payments, bill payments, Tigo airtime top-up and international remittance services.

Beginning in fiscal 2015, we have pioneered several MFS projects in Rwanda, including partnering with the government to provide a payments platform for government services and with off-grid electricity providers to provide a payment platform for electricity services, as part of efforts to connect more rural users to electricity. In July 2016, Tigo Cash in Rwanda launched the first ever digital payment solution for tea farmers, targeting over 10,000 farmers, to enable salary payments to the farmers. The solution received a nomination for "Best Payment Solution" in the Connected Life category from GSMA's Global Mobile Awards. We also worked with different banks in Rwanda to offer free bank account-wallet integration and extended our service by integrating with more financial institutions such as micro-finance companies and savings and credit cooperatives.

In Tanzania, our most developed MFS market, we continue to expand our MFS offering. Since December 2015, we have partnered with WorldRemit to enable our users in Tanzania to receive

money from their friends and family abroad. We have also launched Tigo Secure, a push payment solution for online services.

In May 2017, we entered into an agreement with IN Switch Solutions to install and integrate a new mobile money software platform. IN Switch is a leading provider of mobile VAS and MFS solutions with a good footprint in the region. We believe this partnership will result in significant improvements over our existing platform and create an improved consumer experience.

We offer MFS in 9 of our 10 mobile markets, as current regulation does not allow us to offer MFS in Colombia. Our MFS customers have increased from 10.3 million to 11.5 million from fiscal 2015 to fiscal 2016. The development of MFS is highly dependent upon the specific environment in each market, including the regulatory framework, varying customer needs (such as local or international remittances), banking penetration, and the image of the telecommunications industry. Accordingly, the popularity and acceptance of our MFS varies significantly from market to market. As of June 30, 2017, we had a 22.1% MFS penetration rate, which we define as the percentage of MFS customers over our total active handset customers. Our MFS penetration rate ranges from a high of 50.6% in Tanzania (excluding Zantel) to 3.7% in Guatemala.

The table below sets forth our MFS penetration rates at the end of each indicated period.

	As of December 31,			As of June 30,	
	2014	2015	2016	2016	2017
	(in millions, except percentages and where noted)				
Africa	**32.2%**	**31.0%**	**36.0%**	**33.2%**	**38.0%**
Tanzania (excluding Zantel)	46.7%	44.5%	48.9%	47.0%	50.6%
Latin America(*)	**15.1%**	**15.8%**	**15.6%**	**14.1%**	**15.1%**
Total	**18.9%**	**19.4%**	**21.7%**	**19.5%**	**22.1%**

(*) Excludes Colombia, where we have no MFS operations.

Tower Infrastructure

Overview

In some of our markets, we have determined that owning passive infrastructure, such as mobile telecommunications towers, no longer confers a competitive advantage. As a result, we have completed a number of sale and lease-back transactions involving some of our tower assets in recent years. These transactions have allowed us to focus our capital investment on other fixed assets, such as network equipment, thereby increasing our network coverage, capacity, and the overall quality of our service, while also improving our return on invested capital.

We entered into our first notable tower sale and lease-back agreements in 2010 and 2011 when we sold a significant number of our towers in Colombia, DRC, Ghana and Tanzania to newly-established tower management companies in which we initially retained a 40% equity stake. We have since sold our 40% interest in Colombia, and we have exchanged our interests in DRC, Ghana and Tanzania, as discussed below under *"—Helios Towers Africa*."

We continue to own a significant number of towers in some of our markets, especially in Central America, and we continuously assess the merits of entering into new sale and lease-back agreements, based in part on the competitive dynamics in our market, but also on demand and investment appetite by tower companies. Our most recent lease-back agreements typically have (i) an initial 12-year term, with a right for us to renew for up to ten or twenty years, and (ii) rent expressed and payable in local currency.

The following is a description of the material terms of some of our tower agreements by country.

Colombia

On July 17, 2017, our Colombia operation, Colombia Móvil, S.A. E.S.P., agreed to sell 1,207 towers to a subsidiary of American Tower Corporation for a total cash consideration of up to COP

448 billion (approximately $153 million). First closing is expected by the end of September 2017 and subsequent closings that will occur prior to the tenth day of each month occurring after the preceding closing.

A Master Lease Agreement governs the lease-back of the towers. The initial term of the lease is twelve years for each tower site with an option to renew each tower site for four further periods of five years each. Millicom Colombia may withdraw from the lease agreement with respect to any tower site if Millicom Colombia loses the use of the site. Additionally, Millicom Colombia may withdraw upon a breach of the underlying land leases or a payment failure.

Colombia tower company

In July and December 2011, we signed a sale and lease-back agreement with a subsidiary of American Tower Company to transfer approximately 1,800 tower sites for $167 million and subscribed for 40% equity in the American Tower Company subsidiary. In April 2014, we diluted our ownership in the American Tower Company subsidiary from 40% to 18.2%, and on July 15, 2014, we sold the remainder of our ownership interest to American Tower Company.

Paraguay

On April 25, 2017, we agreed to sell and lease-back 1,400 wireless communications towers in Paraguay to a subsidiary of American Tower Corporation, the global provider of wireless communications infrastructure, for a total cash consideration of up to PYG 700 billion (approximately $124 million). The first closing of 836 towers occurred on August 11, 2017, and American Tower Company paid PYG 426 billion (which was $84 million on that date). We expect to sell 80% of the agreed towers by the end of 2017. We have the option to sell further of our tower sites under the agreement.

We entered into a Master Lease Agreement on August 11, 2017, which governs the lease-back of the towers. The initial term of the lease is 12 years with an option to renew for four further five-year periods.

Helios Towers Africa

On October 7, 2015, in line with our initiative to outsource or share towers, we signed a Master Flip-Up Agreement with Helios Towers Africa, Ltd., where we exchanged shares held in tower companies in Ghana, DRC and Tanzania for shares in Helios Towers Africa. We initially subscribed for 28.2% of the shares in HTA, but our stake has since declined to 22.83%, as a result of dilution caused by previously-committed cash calls and funding from new equity investors. Under the Master Flip-Up Agreement, Helios Towers Africa was required to cause the Tanzania tower company to spend at least $10 million for the construction of "built-to-suit" sites to enable to accommodate our growth in Tanzania, which has been completed, and to enable the construction of additional equipment and towers. We continue to lease the tower space in the tower companies as we did prior to the agreement. In February 2017, we announced that we have initiated a process to divest our 22.83% stake in Helios Towers Africa but we have not yet reached any agreement to do so. Under the Helios Tower Africa shareholders' agreement, we are restricted from selling our stake to another tower company.

Rwanda

In June 2015, Millicom Rwanda signed an agreement with IHS Rwanda Limited to lease space on IHS Rwanda's towers and use associated facilities. The lease is for a period of ten years, following which we may renew it for two further five-year periods and then, with consent, for further five-year periods.

Tanzania

On September 6, 2016, Zantel agreed to sell and lease-back approximately 200 of its towers on the mainland to a Helios entity for a total cash consideration of up to $6.7 million. The first closing of 86 towers occurred on July 28, 2017 and Helios paid $4.2 million. The remaining towers are expected to be sold by the end of 2018. As part of the agreement, we agreed to decommission approximately 450 other towers on the mainland for a payment of $2 million. We are selling and demolishing these towers as we have our own network of towers on the mainland, as part of our MIC Tanzania operations.

On September 6, 2016, Zantel signed a Master Tower License Agreement with Helios to license tower space and use associated facilities. Zantel may license existing sites owned by Helios and request that Helios build new sites. Each site license is for 12 years, following which we may renew the license for three further six-year periods.

Ghana

In 2013, Millicom Ghana agreed to lease up to approximately 300 towers from American Tower Company over a ten-year period.

Managed services agreements

In July 2014, we entered into managed services agreements with certain equipment vendors to outsource the maintenance and replacement of our network equipment in some of our African markets. In 2016, we entered into several more managed services agreements relating to our Latin American markets. We now have managed services agreements in place in Chad and Tanzania in our African region, and in Costa Rica, Colombia, El Salvador and Honduras in our Latin America region. Under these agreements, assets, contracts and employees are transferred to the vendor within three months of the date of the agreement, and the vendor is required to report to us on key quality and performance indicators for the services they provide.

Home

Our Home business unit includes residential cable and pay-TV, including premium HD content, residential fixed broadband and fixed-line telephone services throughout Latin America, mainly through our HFC network. We also provide DTH pay-TV services to rural and remote areas mainly through our DTH platform and broadband services through DSL technology.

We continue to look for ways to attract and retain customers by adding relevant local content to our product offerings and by extending our Tigo brand. For example, since 2013, we offer local soccer games in HD to our cable customers in some of our Latin American markets, where many of these matches were not previously being broadcast.

In February 2014, we launched Tigo Sports, a channel mainly dedicated to local sports and including international sports content, in HD quality. Tigo Sports is available to our pay-TV customers in most of our Home markets, while our Tigo Sports App allows smartphone users to enjoy an ‘anytime anywhere’ experience.

In 2014, we began launching DTH services to extend the reach of our pay-TV offering to areas not covered by our fixed networks, and we now offer DTH in all of our Latin American markets. In tandem with our DTH rollout, we launched the Tigo Star to brand all of our Home services.

Selected Home data

Our Home operations have contributed an increasing share of our revenue. The following table shows the Home unit's contribution to our total revenue during fiscal 2014, 2015 and 2016 and the six-month periods ended June 30, 2016 and June 30, 2017.

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(in millions, except percentages and where noted)				
Total Home revenue(*)	**579**	**931**	**914**	**449**	**484**
Guatemala(*)	30	53	73	35	46
Honduras(*)	29	34	41	20	23
Total revenue (underlying)(*)	**638**	**1,019**	**1,028**	**503**	**553**

(*) Revenue includes telephone and equipment revenue.

The following table below shows our estimated market share, market share position and primary competitor of our broadband business as of March 31, 2017.

	Broadband		
	Market share(1)	Market share position(1)	Primary competitors
Bolivia	–	–	Entel(2)
Colombia	20.8%	2 of 4	Claro, Movistar, ETB
Costa Rica	22.0%	2 of 8	Kolbi, Cabletica, TeleCable
El Salvador	27.2%	2 of 3	Claro, Salnet
Guatemala	13.0%	2 of 3	Claro, IBW
Honduras	16.1%	3 of 3	Claro, Hondutel
Paraguay	69.4%	1 of 3	Copaco, Telecom Personal

(1) Market share calculations are based on data provided by TeleGeography as of March 31, 2017. Market share and market position are adjusted to remove smaller competitors.

(2) Share information not available due to highly-fragmented nature of the market.

The following table shows our estimated market share, market share position and primary competitors of our pay-TV business as of December 31, 2016.

	Pay-TV		
Market	Market share(*)	Market share position(*)	Primary competitors
Bolivia	25.7%	1 of 5	Entel, Comteco, Cotas, Cotel
Colombia	20.2%	2 of 4	Claro, Movistar, DirecTV
Costa Rica	30.5%	1 of 4	Cabletica, Claro, Sky, Telecable
El Salvador	61.2%	1 of 2	Claro
Guatemala	33.2%	2 of 3	Claro, Qualy
Honduras	35.2%	2 of 5	Cable Color, Claro, Cable Suta, Televicab
Paraguay	50.1%	1 of 3	Claro, Personal

(*) Market share calculations are based on data provided by Dataxis as of December 31, 2016. Market share and market share position are adjusted to remove smaller competitors.

Our pay-TV market share in Colombia was 19.4% as of June 30, 2017.

As of June 30, 2017, our networks passed 8.6 million homes (of which 7.9 million homes are HFC), and we have connected 3.2 million homes, (of which 2.2 million homes are HFC), and we had a penetration rate of 37.2% (27.8% on HFC). As of June 30, 2017, we had 5.8 million RGUs, including 4.0 million HFC RGU.

The following table presents, in relation to HFC only, the number of homes connected, homes passed and the fixed penetration rates with respect to our Home services in Latin America as of June 30, 2017.

	Homes connected HFC	Homes passed HFC	Fixed penetration(*)
Latin America	2,206,948	7,850,164	28.1%

(*) The fixed penetration rate is the total number of homes connected divided by the number of homes passed in each market.

Licenses

The following table sets out the license renewal dates and types of licenses for our material cable and broadband licenses in our Home operations.

Country	Broadband	Cable	Fixed-line telephone	Type of services licensed
Bolivia	2028(WiMAX), 2046(HFC)	2046	–	Internet, data transmission, cable TV, DTH
Colombia	–	2019	–	Internet, data transmission, cable TV, VoIP, fixed telephone
Costa Rica	2019	2029	2019	Internet, data, VoIP,
El Salvador	–	2029, 2034	2029	Cable TV, subscription services, fixed-line telephone, DTH
Guatemala		2026		cable operator services, DTH
Honduras	2019	2024	2019	Internet, cable TV, DTH, data transmission, fixed-line telephone
Paraguay	2017, 2018, 2019, 2020, 2021	2018, 2020, 2021		Internet, video uplink. data transmission, cable TV, DTH

Regional operations

Overview

Our operations are divided into the following regions and businesses:

- *Latin America.* We have B2C mobile operations in El Salvador, Guatemala, Honduras, Colombia, Paraguay and Bolivia. Our cable, broadband, television, fixed telephone service and corporate data business is spread across Latin America and we also have cable services in Costa Rica.
- *Africa*. We have mobile operations in Chad, Ghana, Rwanda, Senegal and Tanzania (through MIC Tanzania in mainland Tanzania and through Zantel in Zanzibar). We provide MFS in all our markets.

Latin America

Our B2C mobile and Home operations in Central America are located in Costa Rica, El Salvador, Guatemala and Honduras and in South America, we operate B2C mobile and Home operations in Bolivia, Colombia and Paraguay.

Our Latin American mobile licenses cover 106 million people (see population data under "*Our Markets and Our Industry—Telecommunications in Latin America*"). Our Home business has a large network in Latin America, with 8.6 million homes passed as of June 30, 2017, which together with our existing mobile network, gives us opportunities for future growth with cost efficiencies. Our Home business serves 2.2 million homes across Latin America, as of June 30, 2017.

An important trend in the Latin American telecommunications market has been the growth in the fixed broadband penetration. We have significantly increased the coverage of our HFC network largely in response to demand for high-speed fixed broadband services. As of June 30, 2017, our HFC network passed 7.9 million homes, a 17.7% increase from as of June 30, 2016. As of June, 30, 2017, 28.1% of homes passed were connected to our Home services, 51.0% of our HFC RGUs were connected to broadband internet services and the penetration of fixed broadband across our markets ranged from 11.1% in Bolivia to 48.3% in Colombia, according to Ovum. We also offer MFS throughout Latin America. GSMA Intelligence estimates that, in 2014, almost half of the population in Latin America and the Caribbean did not have access to traditional banking services. By accessing our MFS services, our customers have the ability to deposit and withdraw money using our network of authorized agents.

Bolivia

Telefonica Celular de Bolivia S.A. ("Telecel Bolivia") is wholly owned by the Millicom Group, and we account for this operation as a consolidated subsidiary.

B2C Mobile

As of June 30, 2017, our 2G network in Bolivia covered 84% of the total population, while our 3G network covered 70% of the total population and our 4G network covered 58% of the population.

According to TeleGeography, as of March 31, 2017, Bolivia had a mobile penetration rate of 91%, below the regional average of 111%. Bolivia has three mobile network operators: Entel Movil, a subsidiary of the state-owned fixed line operator Empresa Nacional de Telecomunicaciones, which is the largest operator in terms of number of customers with a 47.7% market share as of March 31, 2017 according to TeleGeography; Telecel Bolivia (our Bolivian operation), which is the second largest operator; and NuevaTel, Bolivia's newest and smallest operator. According to TeleGeography, Entel has reported a significant investment in mobile and fixed infrastructure in recent years and has announced plans to sustain such investments to provide coverage to underserved communities.

Telecel Bolivia launched commercial operations in Bolivia in 1991 through an offering of analog mobile services in the country's three main cities: La Paz, Santa Cruz and Cochabamba. Telecel Bolivia introduced the first prepaid mobile telephone offering in Bolivia at the end of 1996 and launched digital services on its TDMA network in 1997. Telecel Bolivia launched nationwide GSM services in December 2005 and was the first operator in Bolivia to offer 3G services beginning in 2008. Telecel Bolivia was awarded a 20-year license in 1990 to operate a mobile network in the country's three main cities. The license was extended in 1995 and will expire in November 2015. Telecel Bolivia's license was extended in 1997 to cover the rest of the country for a period of 20 years. In December 2001, Telecel Bolivia was also awarded a 40-year license to provide long-distance telecommunication services in Bolivia. This license is mainly used to carry Telecel Bolivia's mobile traffic. In May 2006, Telecel Bolivia was awarded a 40-year data concession to provide data services in Bolivia.

In 2015, as a consequence of a new telecommunications law being introduced as discussed under "*Telecommunications Regulations—Latin America—Bolivia*," Telecel Bolivia migrated all licenses to a new licensing regime. Our license to provide telecommunication services in Bolivia was granted until 2051, mobile service authorization and spectrum were extended to 2030 and cable and VOIP and internet authorizations were extended until 2028.

In 2013, Telecel Bolivia was awarded 2x10 MHz of spectrum in the 1900 MHz band, 2x15 MHz of spectrum in the 1700/2100 MHz band and 2x12 MHz of spectrum in the 700 MHz band, acquired for $15 million, $23 million and $18 million, respectively. In 2016, Telecel Bolivia acquired 575 MHz of spectrum in the 28 or 30 GHz band and the 75 MHz in the 30 GHz band for $1.2 million. These new spectrum awards have 15-year terms.

On July 24, 2014, Telecel Bolivia launched 4G services in Bolivia with speeds up to 100 Mbps.

MFS

In January 2013, Telecel Bolivia received a license for MFS and launched its services that same year.

In 2014, in conjunction with the launch of DTH services in Bolivia, Telecel Bolivia introduced the ability for our MFS customers to pay for their satellite TV services with their mobile money wallet, providing customers in rural areas with a more convenient payment method.

In December 2014, FUNDETIC, a Bolivian institution specialized in technology development for sustainable growth, awarded Tigo Money Bolivia first place in the financial services category among 112 participants.

As of June 30, 2017, we had an 8.6% MFS penetration rate.

Home

We offer pay-tv and broadband services through HFC in Bolivia. In November 2013, we acquired Multivision, a provider of pay-TV services in La Paz, Santa Cruz, Cochabamba and Tarija, for $10.3 million. In April 2014, we launched DTH satellite TV service and have introduced branded Tigo Star and Tigo Sports services in Bolivia. We also offer pay-TV services through MMDS and CMDS, and we have been upgrading these networks to HFC, which has accelerated revenue growth in our Home business.

Colombia

In October 2006, we acquired 50% plus one share of the share capital of Colombia Móvil S.A. Until the completion of the UNE Transaction, Empresas Públicas de Medellín E.S.P. and another local partner each owned 24.99% of Colombia Móvil's share capital. On August 14, 2014, we completed the UNE Transaction and Colombia Móvil became a wholly-owned subsidiary of UNE, in which we now own a 50% plus one voting share interest, as further discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—UNE Transaction*." We account for this operation as a consolidated subsidiary.

B2C Mobile

As of June 30, 2017, our 2G network in Colombia covered 69% of the total population, while our 3G network covered 75% of the total population and our 4G network covered 53% of the population.

Claro Colombia is the largest operator in Colombia, followed by Movistar Colombia, our Colombia operations, Avantel and Empresa de Telecomunicaciones de Bogotá (which is majority owned by the Capital District of Bogota). With a mobile penetration of 112.5% as of March 31, 2017, according to TeleGeography, Colombia's wireless market is highly-penetrated and the five-player market is very competitive. In March 2017, the regulator announced that it was planning an auction of spectrum in the 700 MHz and 1900 MHz bands, but the terms and timing of the auction are still uncertain.

Colombia Móvil was awarded three licenses in February 2003 to offer Personal Communication Services ("PCS") covering all of Colombia. The PCS licenses each have a term of ten years and allow Colombia Móvil to offer voice, data and video services. The licenses were renewed in 2013. Additionally, Colombia Móvil has one license for offering carrier services. The initial term of the license was ten years (until 2013), and was extended for an additional ten years in 2013. Colombia Móvil operates with GSM/GPRS/EDGE/HSPA/HSPA+ networks on the 1900 MHz band, with 55 MHz of spectrum in the 1900 MHz band composed of 40 MHz, 10 MHz and 5 MHz of spectrum which are due to expire in 2019, 2021 and 2023, respectively. In December 2012, Colombia Móvil renewed its license for 40 MHz of spectrum in the 1900 MHz band for another

ten years (until February 2023). Colombia Móvil has another license that permits it to offer several nationwide telecommunication services (*Título Habilitante Convergente*), which was awarded in April 2008 for a renewable ten-year term. Colombia Móvil launched 3G services in 2008. Colombia Móvil S.A. has fully operational interconnection agreements for voice and SMS services with the other mobile operators in Colombia and is considering the interconnection conditions for other data services, such as MMS. In June 2013, Colombia Móvil, together with its then minority owner Empresa de Telecomunicaciones de Bogotá, acquired an additional 2x15 MHz of spectrum in the 1700/2100 MHz band for a cash payment of $55 million. The spectrum was acquired through a contractual relationship with Empresa de Telecomunicaciones de Bogotá. This spectrum allowed Colombia Móvil to offer 4G services, which we launched in December 2013, making Colombia the first country where we offered 4G. In order to reduce the cost and accelerate the deployment of the 4G network, we entered into a network sharing agreement with our competitor, Telefónica Colombia.

In July and December 2011, Colombia Móvil signed a sale and lease-back agreement with a subsidiary of American Tower Company to transfer most of its tower sites for $167 million, while retaining a 40% interest in the tower company. In July 2014, we disposed of our stake in the company, as further discussed above under *"—Our Services and Market Position—Tower Infrastructure—Colombia Tower Company*."

On July 17, 2017, we agreed to sell 1,207 of our towers in Colombia to a subsidiary of American Tower Corporation for $147 million, as further discussed above under *"—Our Services and Market Position—Tower Infrastructure—Colombia*."

Home

UNE is one of the principal digital cable operators in Colombia. Prior to completing the UNE Transaction, we did not provide cable services in Colombia.

As of June 30, 2017, our operations in Colombia had 4.8 million homes passed and served 3.5 million RGUs. As of June 30, 2017, we had connected 1.6 million homes to our networks, with 1.1 million connected to our HFC network and the remaining 500,000 homes connected to our copper network.

We have been investing heavily to expand the reach of our HFC network and to upgrade our copper network to HFC. In the twelve months ending June 30, 2017, we expanded our HFC network by 17.6% in terms of homes-passed and by 7.5% in terms of homes connected. In comparison, the total number of homes connected declined by 1.9% over the same period, due to higher churn on our copper network. By extending the reach of our HFC network in areas historically served by our copper network, we can gradually migrate our copper customers onto our HFC network, thus significantly enhancing the customer experience by expanding the range of products and services they can choose from, including the availability of faster broadband speeds.

As of March 31, 2017, we were the second largest broadband operator in Colombia with a market share of 20.8%, according to TeleGeography. Our cable TV license is currently set to expire in December 2019. Cable licenses are typically renewed easily, as long as license holders are complying with the license terms. Our operations in Colombia launched a DTH service in April 2016, starting with small towns in northwest Colombia and later extending to nationwide coverage.

B2B

Given the extensive reach of our fixed network, we have a significantly larger B2B business unit in Colombia than in the other countries where we operate, and our B2B revenue in Colombia comes from fixed services, such as telephone, corporate solutions, broadband connectivity and business solutions. Our B2B unit serves SMBs, large enterprises, multinationals, government entities, and wholesale customers.

In fiscal 2016, we experienced demand for our cloud-based and data center services. We launched new products during 2016, including cloud (IAAS and PAAS), colocation, cross connect hosting, and virtual hosting, and we significantly expanded our offering and support to SMBs. We also experienced demand for M2M services, and we entered new verticals with customized services aimed at the banking and public utility sectors in particular.

In the government sector, we expanded the reach of '*Ciudad Segura*' (Safe City) by installing security solutions in a number of additional municipalities, and we added 100 new WiFi zones in partnership with the federal and municipal governments.

Costa Rica

Home

In 2008, we acquired 100% of Amnet Telecommunications Holding Limited, which provides broadband and cable television services and corporate data services in Costa Rica. We account for this operation as a consolidated subsidiary. In July 2012, Amnet Costa Rica was rebranded under the Tigo name as Tigo Costa Rica and offers cable TV, broadband internet and fixed telephone services.

In 2002, the predecessor to Amnet Costa Rica was granted a license (*titulo habilitante*), effective as of July 2004 and valid for 20 years. The license is renewable for a five-year period. Amnet Costa Rica was formed out of the merger between Dodona S.R.L. and Newcom Solutions Costa Rica S.A. In March 2011, the Ministry of Telecommunication confirmed that a cable license (*titulo habilitante*) was awarded to Amnet Costa Rica and that it is valid until July 2019.

The broadband market in Costa Rica is dominated by market leader Kolbi, the telecommunications arm of state-owned utilities provider, Grupo ICE. According to TeleGeography, Kolbi had a market share of 40.6% as of March 31, 2017. We are Kolbi's closest competitor, with a market share of 22.0% and other competitors Cabletica and Telecable, had market shares of 15.8% and 10.7%, respectively, as of March 31, 2017, according to TeleGeography.

The number of Costa Ricans living in remote, rural areas has historically impeded the growth of the broadband sector, but the government has taken steps in recent years to address the issue, including rolling out its National Broadband Strategy in 2011 with the goal of bringing broadband access to remote areas and encouraging innovation in information technologies. By May 2016, Fonatel, the entity responsible for managing and funding the universal service fund, had started work on three of the four programs, including bringing basic fixed voice and internet services to residents and public institutions in remote, rural areas; establishing subsidies for low-income households to be used for purchasing telephone/internet services and related devices; and providing equipment to public service centers. As of September 30, 2016, broadband penetration reached 41.0% of households in Costa Rica, slightly higher than the regional average, according to TeleGeography.

El Salvador

Telemóvil El Salvador, S.A. de C.V. is wholly owned by the Millicom Group, and we account for this operation as a consolidated subsidiary.

B2C Mobile

As of June 30, 2017, our 2G network in El Salvador covered 92% of the total population, while our 3G network covered 72% of the population and our 4G network covered 18% of the population.

Telemóvil launched its operations in 1993 and was the only mobile operator in El Salvador until 1999. Since its entry into the market, Telemóvil has rapidly expanded its coverage of the country's main cities and remains the market leader. The GSM network was launched in August 2004. Telemóvil's 3G/HSDPA network was launched in September 2008 offering services such as video calls, mobile internet (datacards) and all current 3G network telecommunication services. Telemóvil was awarded a 15-year mobile license in September 1991 which was subsequently extended until 2018. Telemóvil acquired WiMAX spectrum in 1998.

We launched our 4G services in El Salvador in December 2016.

In 2017, Telemóvil initiated the spectrum renewal process with the regulator (SIGET) for the 850 MHz band, which ends in May 2018 (5 MHz) and November 2018 (20 MHz). The process is ongoing and is expected to conclude by the end of 2017.

El Salvador has one of the highest mobile penetration rates in Latin America and the Caribbean of 155.7% as of March 31, 2017, according to TeleGeography. The country's main operators are our El Salvador operations, CTE Telecom Personal (Claro), Telefonica Moviles El Salvador (Movistar) and Digicel with market shares of 35.0%, 26.9%, 25.1% and 12.5%, respectively, as of March 31, 2017, according to TeleGeography. Despite intense competition and a favorable regulatory environment, as of July 2016, El Salvador was one of the few remaining countries in Latin America without an active 4G LTE network, due to the country's low per-capita purchasing power and operators' concerns about the risk of being unable to recoup the necessary investment.

MFS

We launched MFS in El Salvador in July 2011, and we had a 26.4% MFS penetration rate as of June 30, 2017.

Home

Telemóvil is a leading cable operator in El Salvador, offering pay-TV, broadband and telephone services. In 2014, we launched DTH services to reach more segments of the population with our pay-TV offering. We have worked on the integration of the cable business with our mobile business and focused on improving customer service as a key aspect of our future growth.

Guatemala joint venture

We own a 55% equity interest in Comunicaciones Celulares, S.A. ("Comcel"). The remaining 45% of Comcel is owned by our local partner. Effective January 1, 2014, we reached an agreement with our local partner whereby it granted us an unconditional call option for the next two years for its 45% stake in Comcel, and we granted our local partner a conditional put option for the same duration in the event of a change of control of the Millicom Group. The put and call options have now expired and have not been renewed. For a reconciliation of the presentation in our consolidated financial statements for the Guatemala joint venture, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*."

The Guatemala joint venture is controlled by a board of directors comprised of five directors appointed by the shareholders at a general meeting. The quorum for board meetings is five

directors and all board resolutions are adopted with a majority vote of at least four directors. General meetings may be called by the board of directors, the audit body or any shareholder that represents at least 25% of the shares with voting rights. The quorum for an annual general meeting is 85% of voting shares and increases to 90% for extraordinary general meetings. The agenda of an annual general meeting and extraordinary general meeting must be approved by 80% and 85% of the voting shares, respectively.

The Guatemalan mobile market has three major licensed operators: Comcel (the Guatemala joint venture), Claro Guatemala and Movistar. A fourth operator, Intelfon, has a small base of corporate customers. According to TeleGeography, as of March 31, 2017, the mobile penetration rate was 107.7%. In 2011, the regulator confirmed that it had identified at least seven bands suitable for 4G/LTE networks. Movistar was the first operator to establish a 4G network in the fourth quarter of 2014, followed by Comcel in the second quarter of 2015 and Claro in the fourth quarter of 2015.

B2C Mobile

Comcel operates GSM/GPRS/EDGE and 3G/HSDPA and 4G networks. The GSM/GPRS/EDGE network was launched in August 2004 and the 3G/HSDPA network was launched in August 2008. Comcel also provides international long-distance services, roaming service, internet services and local telephone services. In January 1990, Comcel was awarded its initial 20-year license to operate a nationwide 800 MHz network, and in March 2003, Comcel was awarded a revised license to operate 10 MHz of frequency, as well. In August 1998, as validated in October 2001, Comcel received a license to operate another 4 MHz spectrum and in July 2006, Comcel acquired 25 MHz in the 2.5 GHz spectrum to operate WiMAX. On November 20, 2012, new regulations came into effect which grant telecommunications license holders the right to apply for automatic extensions of all existing licenses by an additional 20 years. Comcel submitted applications to extend most of its licenses in December 2012, receiving extensions through December 2032. The remaining licenses have been renewed for 20 years until 2033.

As of June 30, 2017, our 2G network in Guatemala covered 88% of the total population, while our 3G network covered 69% of the total population, and our 4G network covered 61% of the total population.

The Guatemala joint venture was one of the first of our Central American operations to promote entry-level smartphones to boost data penetration and usage. As of June 30, 2017, smartphone penetration of our mobile customers in Guatemala reached 64.2%.

Home

The Guatemala joint venture's cable business, through its VPN technology, provides a wide range of services with enterprise VoIP, IP video conferencing and IP-PBX. Through its HFC network, Comcel offers fixed telephone, pay-TV and broadband internet to residential consumers.

Guatemala's cable industry is highly-fragmented and is comprised of many small local or regional providers. As we expand our network reach, we often enter geographical areas that are already covered by a local competitor. At times, we have the opportunity to acquire some of these local providers, instead of building our own infrastructure. Between 2011 and 2014, we acquired 14 local cable operators in Guatemala.

Honduras joint venture

We own a 66.67% equity interest in Telefonica Celular S.A. de C.V. ("Celtel"). The remaining 33.33% of Celtel is owned by our local partner. On July 1, 2010, we reached an agreement with our local partner whereby it granted us a five-year unconditional call option for its 33.33% stake in Celtel, and we granted our local partner a conditional put option for the same duration in the event of a change of control of the Millicom Group. The put and call options have now expired

and have not been renewed. For a reconciliation of the presentation in our consolidated financial statements for the Honduras joint venture, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Comparability of Prior Periods—Guatemala and Honduras Joint Ventures*."

The Honduras joint venture is controlled by a board of directors comprised of five directors, three of whom are appointed by us and the remaining two appointed by our joint venture partner. The quorum for board meetings is one director appointed by each shareholder. Board resolutions are adopted by a majority of directors, while a super-majority vote of at least four directors is required in the event of a change of control in our joint venture partner. The quorum for an annual general meeting is all shareholders and the agenda of any general meeting must be approved by a 75% of the voting shares.

B2C Mobile

In recent years, the Honduran mobile market has contracted from four mobile providers in 2011 to three providers: Celtel (our Honduras operation), with a market share of 57.2% as of March 31, 2017, Claro Honduras, with a 40.1% market share and Hondutel Movil, with a 2.7% market share, according to TeleGeography. As of March 31, 2017, there was a mobile penetration rate in Honduras of 100.8%, according to TeleGeography.

In August 2013, Honduras' telecom regulator, Conatel, auctioned several blocks of spectrum suitable for 4G in the 1700 MHz and 2100 MHz bands, with Claro, Hondutel and Celtel each winning one block of spectrum. The licenses for the new spectrum require the operators to establish and operate 2G networks in 100% of Honduran municipalities within three years of authorization, while their 3G networks must offer 25% coverage within the same timeframe. The licenses also required the operators 4G networks to offer 15% coverage by the end of 2016. We launched our 4G network in December 2014 and Claro launched its 4G network in March of the following year. As of September 2016, Hondutel had not yet taken receipt of the 4G spectrum. In June 2016, the Honduran government approved a multi-band spectrum auction of frequencies in the 700 MHz, 900 MHz and 2500 MHz bands. The auction was initially planned to be conducted by the end of 2017 but the exact terms and timing are still uncertain.

Celtel operates a GSM/GPRS/EDGE network and a 3G/HSDPA and 4G network. Celtel also provides international long-distance services and local telephone services. In June 1996, Celtel was awarded a ten-year license to operate a nationwide mobile network for a price of $5.1 million. The license was transformed into a 25-year license at a cost of $4.8 million, and expires in 2028.

On October 1, 2013, we were awarded a 4G license for $12.05 million. We launched 4G services in Honduras in December 2014.

As of June 30, 2017, our 2G network in Honduras covered 86% of the total population, while our 3G network covered 64% of the total population, and our 4G network covered 33% of the total population.

MFS

We launched MFS services in Honduras in January 2011, and we had a 22.8% MFS penetration rate as of June 30, 2017.

Home

We offer triple-play services (cable TV, internet and fixed telephone) using our HFC network in Honduras, and we launched DTH satellite TV in 2014 in order to expand the reach of our pay-TV offering to areas not covered by our HFC network.

We continue to invest to expand and upgrade the capacity of our HFC network in Honduras. As of June 30, 2017, our HFC network passed approximately 500,000 homes, representing a 35.8% increase year-on-year. Meanwhile, the number of homes connected to our HFC network reached 100,000 as of June 30, 2017, an increase of 16.0% year-on-year.

Paraguay

Telefonica Celular del Paraguay S.A. ("Telecel Paraguay") is wholly owned by the Millicom Group, and we account for this operation as a consolidated subsidiary.

B2C Mobile

As of June 30, 2017, our 2G network in Paraguay covered 95% of the total population, while our 3G network covered 87% of the total population, and our 4G network covered 48% of the total population.

The mobile market in Paraguay is competitive, with four major mobile operators: Telecel Paraguay (our Paraguay operation), Nucleo (Telecom Personal Paraguay, a subsidiary of Telecom Argentina), Claro Paraguay and Hola Paraguay. As of March 31, 2017, we were the largest mobile provider with a 44.8% market share, followed by Personal with a 34.7% market share, according to TeleGeography.

As of March 31, 2017, there was a mobile penetration rate in Paraguay of 106.8%, according to TeleGeography. In December 2015, the telecom regulator, Conatel, held an auction for 4G spectrum allocation, as a result of which both our Paraguay operations and Claro were awarded 4G licenses, and we subsequently launched our 4G services in April 2016. Also in December 2015, Personal, which had chosen not to participate in the auction, launched 4G services using re-farmed 3G spectrum in the 1900 MHz band. Conatel is investigating the legality of Personal's 4G service, as it was launched without Conatel's approval. Although the outcome of Conatel's investigation is unclear, Personal announced in October 2016 its intention to invest $40 million into its wireless networks in each of the following three years. In November 2015, Conatel announced plans to auction off 700 MHz digital dividend spectrum, as well as frequencies in the 2600 MHz band, but the conditions and timing of these auctions are still unclear.

Telecel Paraguay started operations in 1992. It operates GSM/GPRS/EDGE, UMTS/HSPA and LTE networks. Its mobile network architecture includes two mobile switching centers that control 2G and 3G traffic. In 2015 and 2016, we were granted a 4G license (AWS for 2x15 MHz) for $45 million plus $20 million in other costs and expenses (including coverage obligations) and implemented LTE in the AWS band (1700/2100 MHz). One of our licenses in Paraguay is due to expire in 2017.

On January 20, 2015, we agreed to purchase certain assets of SUR Multimedia, S.A., a local pay-TV operator, for $11.5 million. On January 6, 2017, Telecel Paraguay completed the acquisition of pay-TV providers TV Cable Parana, Cable 3 Fronteras, S.A. and Get Line Internet, S.A. for $18 million, net of cash acquired. The purchase accounting was finalized in March 2017, and the purchase price was mainly allocated to a customer list ($14 million) and to other tangible and intangible fixed assets ($3 million). The final goodwill amounted to $1 million.

On April 25, 2017, Telecel Paraguay signed a sale and lease-back agreement with a subsidiary of American Tower Company for 1,400 of its wireless communications towers for $125 million, as discussed above under *"—Our Services and Market Position—Tower Infrastructure—Paraguay*."

MFS

We launched MFS services in Paraguay in May 2010, and we had a 32.2% MFS penetration rate as of June 30, 2017. We offer wallet-to-wallet, remittance and invoice payment services via OTC and electronic wallets. In 2015, we received a license from the Central Bank of Paraguay to provide MFS services and work with local banks to provide micro savings, micro loans, micro insurance and smartphone financing and cobranded credit cards. We have also developed B2B services, such as bulk payments, payment gateway and merchant and POS digitalization solutions, including the mPOS and companion card, which is a wallet extension that records purchases and ATM withdrawals. Our government-to-people services allow the payment of subsidies and reached approximately 16,000 families as of June 30, 2017.

Home

On October 1, 2012, Telecel Paraguay acquired substantially all of the assets and business of Cablevisión, a leading digital cable operator in Paraguay and one of the principal fixed broadband internet providers in Asunción, Paraguay, for $172 million. Before completing this acquisition, Telecel Paraguay did not provide cable services in Paraguay.

Cablevisión Paraguay began offering television services in Asunción in 1989 and is a leading provider of cable pay-TV services in Paraguay. We offer pay-TV services through HFC, as well as UHF and through a DTH license that we acquired in 2016 in order to reach rural areas where HFC coverage is not available. Telecel Paraguay provides fixed wired (using its HFC networks) and fixed wireless (using WiMAX and WTTx technologies) internet services.

On January 20, 2015, we agreed to purchase part of the pay-TV assets of SUR Multimedia, S.A., a local pay-TV operator, for $11.5 million. On January 6, 2017, Telecel Paraguay completed the acquisition of pay-TV providers TV Cable Parana, Cable 3 Fronteras, S.A. and Get Line Internet, S.A. for $18 million, net of cash acquired. The purchase accounting was finalized in March 2017, and the purchase price was mainly allocated to a customer list ($14 million) and to other tangible and intangible fixed assets ($3 million). The final goodwill amounted to $1 million.

As of June 30, 2017, our Home business covered approximately 740,000 homes-passed, of which 79.6% passed by our HFC network. We continue to expand the reach of our HFC network, and we increased our HFC homes-passed by 21.2% in the twelve months ending June 30, 2017. Meanwhile, the number of homes connected to our HFC network grew by 22.8% over the same period.

Telecel Paraguay has exclusive rights to broadcast Paraguay's soccer championship games through 2020 and also exclusive sponsorship rights in telecommunications for the Paraguayan National Soccer Team for the years 2015 through 2022. In February 2014, we launched Tigo Sports, a channel dedicated to professional and amateur football and sports coverage. Tigo Sports is also available in mobile phones through the Tigo Sports app.

Africa

Our mobile and MFS operations in Africa are located in Chad, Ghana, Rwanda and Tanzania. Our African mobile licenses cover 118 million people (see population data under "*Our Markets and Our Industry—Telecommunications in Africa*").

Chad

Millicom Tchad S.A. is wholly owned by the Millicom Group, and we account for this operation as a consolidated subsidiary.

B2C Mobile

As of June 30, 2017, our 2G network in Chad covered 85% of the total population, while our 3G network covered 21% of the total population, and our 4G network covered 9% of the total population.

According to TeleGeography, as of March 31, 2017, mobile penetration in Chad was only 48.1%, compared to 128.7% in Ghana as of the same date. Despite low penetration, customer growth has remained low since 2012 and was 4.1% in 2015 and 3.18% in 2016. Chad has three mobile operators: our Chad operations, representing 55.4% of the market; Airtel, representing 43.3% of the market; and state-owned Groupe Sotel Tchad, representing 1.3% of the market, according to TeleGeography. In August 2017, the regulator reduced the duration of all three operators' licenses, including their 3G/4G concessions, by one year as punishment for a continued lack of improvement with respect to quality of service commitments and the operators' 3G and 4G concessions are now set to expire in 2023. See "*Telecommunications Regulations—Africa—Chad*."

Millicom Tchad launched commercial operations in the capital city, N'Djamena, in October 2005 and coverage was quickly expanded to six other major cities. The company offers Tigo-branded

prepaid services over its GSM network. In 2014, we launched 4G services in Chad. In June 2014, Millicom Tchad renewed its license of 2x10 MHz of spectrum in the 900 MHz band and 2x10 MHz of spectrum in the 1800 MHz band, and acquired an additional 3x10 MHz of spectrum in the 1800 MHz band and 2x10 MHz of spectrum in the 2100 MHz band, for which it paid $42 million to the Chad government. The renewed license, which now expires in November 2023, allows us to offer 4G, as well as 2G and 3G services. Millicom Chad's license was amended in July 2005 to allow for international gateway operations and in January 2007 for the deployment of GPRS/EDGE services.

MFS

We launched MFS services in Chad in November 2012, and we had a 15.6% MFS penetration rate as of June 30, 2017. We provide our MFS through a partnership with Orabank SA, a local Rwandan bank.

Ghana

On March 3, 2017, we and Bharti Airtel Africa B.V. ("Airtel") agreed to combine our respective operations in Ghana. As per our agreement, we and Airtel will have equal ownership and governance rights in the combined entity. Completion of the transaction is subject to obtaining regulatory approvals and customary closing conditions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions—Ghana Combination*."

B2C Mobile

Millicom Ghana Company Limited commenced operations in 1992 as the first mobile operator in Ghana and introduced the concept of prepaid services in Ghana in 1998. We have also introduced micro-insurance products in Ghana.

Millicom Ghana's GSM license authorizes it to provide mobile and local fixed wireless services. Although Millicom Ghana applied for a GSM license in 2000, it was not allowed to launch GSM services until July 2002. In 2004, Millicom Ghana received a formal nationwide 15-year GSM operating license. In June 2015, Millicom Ghana also acquired a ten-year international gateway license. In late 2008, Millicom Ghana received provisional authorization for the operation and provision of 3G mobile services, and in March 2011 it acquired a 15-year 3G license and began offering 3G services.

As of June 30, 2017, our 2G network in Ghana covered 86% of the total population, while our 3G network covered 35% of the total population.

There are currently six mobile operators in Ghana, all of which offer 2G and 3G services: MTN Ghana, Vodafone Ghana, Airtel Ghana, Glo Mobile, Expresso and our Ghana operations. Two additional operators, Surfline Communications and Busy Internet, currently offer 4G/LTE data services and are expected to be allowed to offer voice services over the 4G network after six years of operation. According to TeleGeography, as of March 31, 2017, there was a mobile penetration rate of 128.7%.

On October 7, 2015, we signed a Master Flip-Up Agreement with Helios Towers Africa, pursuant to which we exchanged shares held in tower companies in Ghana, DRC and Tanzania for shares in Helios Towers Africa. See *"—Our Services and Market Position—Tower Infrastructure—Helios Towers Africa*."

In January 2013, Millicom Ghana agreed to lease approximately 300 towers from American Tower Company over a ten-year period.

MFS

We launched MFS services in Ghana in April 2011, and we had a 21.7% MFS penetration rate as of June 30, 2017.

Rwanda

B2C Mobile

As of June 30, 2017, our 2G network in Rwanda covered 80% of the population, while our 3G network covered 22% of the total population.

Although the Rwandan mobile market has been slow to develop, the mobile penetration rate was 77.5% as of March 31, 2017, according to TeleGeography. MTN Rwanda and our Rwanda operations are the largest mobile providers, with MTN having a 46.8% market share as of March 31, 2017 and Millicom Rwanda having a 35.3% market share as of the same date, according to TeleGeography. Airtel, the third and newest mobile operator, held a 17.9% market share as of March 31, 2017, approximately five years after it began operations.

In late 2008, we were successful in our tender against three other bidders for the third national telecommunications license in Rwanda. The license is a technology neutral license and is valid for 15 years. We set up Tigo Rwanda and, after roll-out of the network, 3G services were launched in December 2009.

In March 2013, the Rwanda Development Board established a joint venture with South Korea's KT Corp. The partnership announced plans to develop, construct and operate a nationwide 4G network, and to provide wholesale access to other network operators and MVNOs. The 4G network was launched in November 2014. As of December 31, 2016, the network covered 55% of the country's population and is expected to cover 95% of the country's population by the end of 2017. As of March 2017, all three operators offered 4G services using the new wholesale network, but subscribers have been slow to sign up because of the high cost of LTE services and of the devices necessary to use them. In April 2015, we signed an agreement with the exclusive license holder of the wireless access network for Rwanda allowing us to launch 4G services in Kigali and have now rolled out the services to the rest of Rwanda. In June 2015, Millicom Rwanda signed a Master Tower Space Use Agreement with IHS Rwanda Limited to lease space on IHS Rwanda's towers and use associated facilities. The lease is for a period of ten years, following which we may renew it for two further five-year periods and then, with consent, for further five-year periods.

MFS

We launched MFS services in Rwanda in May 2011, and we had a 42.1% MFS penetration rate as of June 30, 2017. In June 2013, we introduced Tigo-matic machines in Rwanda, where our customers can purchase airtime, deposit and receive money 24-hours a day. In February 2014, we introduced what we believe to be the world's first international mobile money service with currency conversion between Rwanda and Tanzania.

In January 2016, Tigo Rwanda received a nationwide Payment Services License.

On June 7, 2017, we agreed with Pivot Access Limited to sell our 88.54% interest in RSwitch Limited, the e-payments provider, subject to regulatory approval. The consideration is $1.1 million. This is not expected to impact our ability to offer MFS services to our customers in Rwanda.

Tanzania

Millicom Tanzania Limited is wholly owned by the Millicom Group following the January 2006 Millicom Group buy-out of a non-controlling shareholder. We account for this operation as a consolidated subsidiary.

B2C Mobile

On October 22, 2015, we acquired 85% of Zantel, a telecommunications provider operating mainly in Zanzibar. Zantel is the local owner, along with the Tanzania Telecommunications Company, of the East African Submarine Cable System, a submarine fiber optic cable that links

East African countries to the rest of the world. We also lease submarine optic fiber capacity from West Indian Ocean Cable Company Limited, which is partly owned by Zantel (see "*Major Shareholders and Related Party Transactions—Related Party Transactions*").

As of June 30, 2017, our 2G network in Tanzania (excluding Zantel sites) covered 80% of the total population, while our 3G network covered 38% of the total population and our 4G network covered 19% of the total population.

The Tanzanian mobile market is one of the most competitive among our markets, with eight operators. Mobile penetration reached 78.6% as of December 31, 2016, according to TeleGeography, indicating that there is still room for the market to grow. According to TeleGeography, three operators currently dominate the market, with a combined 86.7% of customers as of December 31, 2016: Vodacom Tanzania, Airtel Tanzania and Millicom Tanzania. In 2015, a new competitor, Halotel (Viettel Tanzania), entered the market. Halotel has rapidly built its mobile network and announced in February 2017 that it had achieved 97% population coverage according to TeleGeography.

In January 1994, Millicom Tanzania was awarded a 15-year license to operate a nationwide mobile network. In May 2010, Millicom Tanzania was granted separate licenses for network facilities services, network services and application services (the application services license was received in September 2012). These licenses are valid for 25 years, 25 years and 10 years, and enable Millicom Tanzania to provide international gateway related services. Millicom Tanzania launched 3G services in the first quarter of 2011.

In 2014, we acquired Telesis Tanzania Ltd., a holder of 4G spectrum in Tanzania with 2x10 MHz of spectrum in the low spectrum band of 700/800 MHz. In October 2012, Telesis received a 25-year license for network facilities services, a 25-year license for network services and a 25-year license to use radio frequency spectrum resources.

On October 7, 2015, we signed a Master Flip-Up Agreement with Helios Towers Africa, in which we exchanged shares held in tower companies in Ghana, DRC and Tanzania for shares in Helios Towers Africa. Under the agreement, Helios Towers Africa was required to cause the Tanzania tower company to spend at least $10 million for the construction of "built-to-suit" sites to enable to accommodate our growth in Tanzania and to enable the construction of additional equipment and towers. See "*—Our Services and Market Position—Tower Infrastructure—Helios Towers Africa*."

On September 6, 2016, Zantel (which operates in mainland Tanzania) agreed to sell approximately 200 of its towers on the mainland to a Helios entity for $6.7 million and signed a Master Tower License Agreement with Helios to license tower space and use associated facilities. See "*—Our Services and Market Position—Tower Infrastructure—Tanzania*."

On June 9, 2016, Zantel received its National Application Services license for a period of 10 years. On June 15, 2016 Zantel received a license to use radio frequency spectrum resources, which will expire in 2031.

MFS

We launched MFS services in Tanzania in October 2010, and we had a 50.6% MFS penetration rate as of June 30, 2017 (excluding Zantel). In September 2014, we launched Wekeza, which we believe is the world's first mobile money service which offers customers the opportunity to automatically earn a return on their balance direct to their wallet without the need for separate registration. In June 2014, we announced a cross-carrier (interoperability) partnership with Airtel, and in February 2015, with Vodacom, which allows our customers to send money to other people registered with these MFS providers. In February 2014, we introduced what we believe to be Africa's first international mobile money service with currency conversion between Rwanda and Tanzania. In November 2016, our operations in Tanzania received a Payment System License.

Discontinued and divested operations

As further discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Dispositions.*"

Senegal

On February 2, 2017, we agreed to sell our Senegal business to Wari Group, the financial services company, for a cash consideration of $129 million, subject to regulatory approvals. We have accounted for the Senegal business as a discontinued operation since that date. However, on July 28, 2017, we exercised our right to terminate that agreement and we instead agreed to sell our Senegal business to a consortium consisting of NJJ, Sofima (a telecom investment vehicle managed by the Axian Group) and Teylium Group, subject to customary closing conditions and regulatory approvals.

Under Senegalese law, if a company's equity falls below 50% of its share capital, the shareholders must meet to decide if the company should continue, following which the company has two years to recapitalize; if it fails to do so any creditor with an interest can ask the court to wind up the company. In fiscal 2015 and fiscal 2016, Sentel had net losses which were in excess of its share capital. In November 2016, a meeting was held to approve Sentel's continuation, giving it two years from that date to recapitalize. It is a condition precedent of our Sentel sale agreement to recapitalize it by capitalizing our shareholder loans, which we intend to complete by the end of 2017.

B2C Mobile

Sentel GSM S.A. is wholly owned by the Millicom Group, and we currently account for this operation as a discontinued operation. It was rebranded in 2005 as Tigo Senegal. As of June 30, 2017, our 2G network in Senegal covered 75% of the total population, while our 3G network covered 51% of the total population.

Senegal has three national mobile operators: Orange Senegal (the mobile arm of national PTO Sonatel) with 52.0% of the market share as of March 31, 2017, our Senegal operations with 26.7% market share and Expresso Telecom (Senegal) with 21.3% market share as of the same date, according to TeleGeography. Mobile penetration in Senegal was 96.7% as of March 31, 2017, according to TeleGeography. In November 2015, the regulator confirmed the launch of a tender for 4G licenses. By the January 2016 deadline, the regulator had not received bids from any of the operators. The regulator confirmed in June 2016 that it had renewed the operating licenses of state-owned Sonatel, which operates the Orange Senegal mobile network, including the 'extension of its scope' to offer 4G LTE starting in August 2017 for XOF32 billion (approximately $58 million) provided that Sonatel begins marketing 4G within two months of the frequency assignment date and provides 70% coverage within five years and 85-90% within ten years. In July 2016, we announced that we were in talks with the regulator to secure a 4G license. Expresso is the only operator that has not yet announced the launch of a 4G pilot or plans to make a 4G license bid.

In July 1998, Sentel was awarded the country's second mobile license, a 20-year concession to operate a nationwide network. It launched commercial GSM-900/1800 services the following April, and has continued to upgrade its networks and services since the launch.

Following a dispute with the Senegalese government, Sentel initiated arbitration proceedings with the International Center for the Settlement of Investment Disputes against the Republic of Senegal under provisions of the Sentel license and international law. In August 2012, Sentel and the Senegalese government settled their dispute, and the validity of the license was recognized by both parties. The terms of the settlement, under which we agreed to pay $103 million to the Senegalese government, included a ten-year extension of the term of the license until 2028. In October 2012, an amendment to the concession was approved by the government (including the prorogation of the term until 2028). Under this amendment, Sentel acquired GSM, 3G and

WiMAX licenses and launched 3G service in May 2013. During 2013 and 2014, we completed a network swap in Senegal replacing our previous network with a single RAN network. We obtained a 12-month non-commercial license to pilot 4G technology in 2014, in the capital, Dakar.

MFS

In April 2014, we launched MFS services in Senegal, and we had an 8.3% MFS penetration rate as of June 30, 2017. We provide our MFS services through a partnership with Banque Atlantique Senegal, a local Senegalese bank, as required by the rules of the Central Bank of Western African states.

DRC

On February 8, 2016, we agreed to sell our businesses in the DRC to Orange S.A. for a total cash consideration of $160 million, adjusted for working capital movements and including $10 million of cash hold-back subject to the completion of the disposal of DRC Mobile Cash. The transaction was completed in respect of the mobile business on April 20, 2016. The separate disposal of DRC Mobile Cash was completed in September 2016.

Corporate responsibility

We are working on a number of fronts to improve our management of the financial, social and environmental risks relating to compliance and corporate responsibility ("CR").

Strategy

Our CR strategy, which is incorporated into our core strategy, aims to move the Millicom Group beyond compliance and industry standards. The strategy is aligned with international standards and guidelines for multi-national enterprises.

Our CR strategy has three long-term objectives:

- Measure the success and health of our company beyond financials;
- Promote, protect and strengthen our reputation; and
- Demonstrate thought leadership in areas that link to business success.

Our CR activities focus on eight topics, which have been identified as of significant importance by both our key stakeholders and by our leadership for the successful execution of our business strategy. The eight topics are:

- Privacy and freedom of expression;
- Child rights and online protection;
- Acting responsibly: anti-corruption compliance;
- Reducing our environmental footprint;
- Diversity;
- Taking care of our people: health and safety;
- Responsible supply chain management; and
- Social investment.

In 2016, we published our first integrated report, whereby our corporate responsibility report was integrated into our annual report. We continue to engage with our investors, partners, governments and other key stakeholders on specific topics, including becoming observers of the Global Network Initiative.

Governance

The CR function reports to the Executive Vice President, Chief External Affairs Officer, who is a member of our Executive Committee. The function works closely with all business functions, and particularly with Ethics and Compliance.

The CR director holds the operational responsibility for implementing the CR strategy, provides guidance to and monitors the CR global team and CR resources in each of our operations.

In August 2016, we created a new senior executive role and hired a seasoned Chief Ethics and Compliance Officer ("CCO") to join our Executive Committee. Our CCO reports both to the CEO and directly to the Business Ethics and Compliance Committee of the Board. The CCO's mission is to maintain a world-class compliance program and to set the highest ethical standards that our customers, colleagues and investors expect from us.

We have a zero-tolerance policy towards any and all forms of bribery, corruption, extortion and fraud. We are committed to doing business the right way in every environment in which we operate. We have continued to further strengthen our compliance framework, and we have rolled out Group-wide, standardized training on our Code of Conduct, anti-bribery and anti-corruption, and anti-money laundering. We also strengthened our capabilities and internal controls around anti-money laundering, with standardized training framework launched for all our MFS staff. Our Chief Ethics and Compliance Officer reports dually to the Compliance and Business Conduct Committee of our board of directors and our CEO.

We also have a Supplier Code of Conduct, which is now a mandatory annex to all of our agreements with suppliers.

Social benefits of mobile communications

By operating in emerging markets, we are in an excellent position to empower people with our services and to positively influence economic development in the markets where we operate. The premise of our business strategy is to make mobile communications and other mobile services as affordable, accessible and available as possible to our customers.

We have expanded our services beyond mobile communications to include MFS, which in many cases represents our customers' first access to any form of financial services. We have programs to promote women's entrepreneurship by using MFS, which aim to provide women in Ghana, Rwanda and Tanzania with support and training to establish a business as a Tigo Money agent. Using MFS allows women to access accounts, make safe transactions and supports start-up initiatives.

Together with UNICEF and RITA (the Tanzanian Registration, Insolvency and Trusteeship Agency), we have developed an innovative mobile application to register children under the age of five in Tanzania. The mobile application simplifies the process of birth registration by entering the registration information into a mobile phone which sends the data (by SMS) to a central database at RITA.

Child rights and online protection

Our work over the past years has positioned us as a strong leader on child protection within our industry, re-affirmed in our materiality assessment with our key stakeholders in 2016. Building on our understanding of how our daily work may impact children's lives, our initiatives focus on managing operational risks around child rights and actions to build safer environments online for children.

In 2016, we focused on finalizing the child rights tools for our sector with UNICEF (now published and accessible to everyone in the industry), and on creating a holistic approach to child online protection in our Latin American operations.

Reducing our Environmental Footprint

Our Group Environment Policy establishes a clear governance structure to manage our environmental impact and outline the roles and responsibilities of each function in protecting the environment. We continue to focus our efforts on activities that have the highest environmental impact, in particular, reducing energy consumption and rolling out our global e-waste management program. Progress has been good in implementing our global responsible e-waste recycling program across all operations by 2018, with eight operations running the program to this point.

We are exploring opportunities to align our environmental work with business priorities. We are pleased to have achieved certification against the world's leading environmental management standard ISO 14001 for our corporate offices and data centers and critical sites in Honduras, the second operation after Colombia to achieve this certification. Our aim is to certify all other operations in 2017.

Government Regulation

We are subject to or affected by international, national, state and local laws, regulations and policies, including anti-bribery rules, trade sanctions, data privacy requirements, labor laws and anti-competition regulations, which are constantly subject to change. We believe that we are in material compliance with these laws, regulations and policies. Although we cannot predict the effect of any future changes, we are not aware of proposed changes or proposed new laws, regulations and policies that will have a material adverse effect on our business.

Reporting

Since 2012, we have published an annual CR report aligned to the Global Reporting Initiative, an international independent standards organization that advises businesses, governments and other organizations on sustainability issues. For 2016, we published our first ever fully integrated Annual Report and CR Report, which maps the progress made on key initiatives set out in 2015 and covers what we consider to be our eight most material sustainability initiatives.

Also, in 2016, we carried out a formal survey and interviews with key stakeholders and identified eight topics with significant importance both to our stakeholders and to the successful execution of our business strategy. Each issue has dedicated resources, policies, action programs and targets in place to achieve improvement over time, to mitigate associated risks and increase positive impact.

Research and development, patents, trademarks and licenses

We do not engage in research and development activities and we do not own any patents.

We own or have rights to certain trademarks in our business, including trademarks listed under "*Trademarks*." Under trademark license agreements with MIC S.A., certain of our operations have licenses to use the Tigo trademark and/or Millicom name, as further discussed under "*Major Shareholders and Related Party Transactions—Related Party Transactions—Subsidiaries of MIC S.A.*"

As we established an early presence in most of the markets in which we operate, we have been able to secure our licenses at relatively low cost. Historically, we have been successful in renewing our maturing licenses, generally on terms similar to the original licenses, although we may not be able to do so in the future. Where necessary, we enter into partnerships with prominent local business partners through companies over which we typically exercise management control.

Property, plant and equipment

We own, or have the right to access and use through long-term leases, telecommunications sites and related infrastructure and equipment. In addition, we, together with our operating

companies, own, or have the right to access and use through long-term finance leases, tower space, warehouses, office buildings and related telecommunications facilities. We are also party to several site sharing agreements whereby we share our owned telecommunications sites and related infrastructure and equipment, or lease such property from our counterparties in an effort to maximize the use of telecommunications sites globally. Our leased properties are owned by private individuals, corporations, and sovereign states.

Assets necessary for the provision of mobile telephone services include, without limitation:

- switching, transmission and receiving equipment;
- connecting lines (cables, wires, poles and other support structures, conduits and similar items);
- diesel generator sets and air conditioners;
- real property and infrastructure, including office buildings and warehouses;
- easements and other rights to use or access real property;
- access roads; and
- other miscellaneous assets (work equipment, furniture, etc.).

Insurance

We maintain the types and amounts of insurance which we believe to be customary in the industry and countries in which we operate and in accordance with our risk management strategy. Annually, we review and analyze our worldwide insurance coverage needs with the assistance of an insurance broker. We have standardized our coverage along the recommendations suggested by our insurance broker and have put in place group master insurance policies under which all our operations are covered. Certain local risks not covered under the group master insurance policies or required by local regulations are covered through local insurance policies. We consider our insurance coverage to be adequate both as to risks and amounts for the business we conduct.

Litigation and legal proceedings

The Millicom Group is subject to various legal proceedings. Below is a description of the pending legal proceedings that we consider material.

The Millicom Group is contingently liable with respect to lawsuits and other matters that arise in the normal course of business, as discussed below. As of December 31, 2016, the total amount of claims and litigation risks against Millicom and its operations was $406 million, of which $3 million related to the Guatemala and Honduras joint ventures, as compared to $492 million as of December 31, 2015, of which none related to the Guatemala and Honduras joint ventures. This decrease is primarily attributable to our reassessment of the amount and scope of the claims made against us, as well as the dismissal or settlement of several claims. As of December 31, 2016, the Millicom Group had made corresponding provisions in the amount of $43 million, of which $1 million related to the Guatemala and Honduras joint ventures, as compared to $42 million as of December 31, 2015, of which none related to the Guatemala and Honduras joint ventures. In addition, we have ongoing tax disputes in several of our markets, which are described below under *"—Tax Disputes*." Management is of the opinion that, while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the final outcome of these contingencies is not expected to have a material effect on our financial position and operations.

Bolivia

Telecel Bolivia is involved in several proceedings with its regulator over its advertising, service provisions, license terms and interconnection agreements with other operators. The total amount of fines under appeal is $10 million.

Colombia

In March 2000, Cablesistema S.A. alleged that UNE had engaged in restrictive trade practices and abused its dominant position, and breached a confidentiality agreement executed by the parties in 1997, claiming damages of $15 million. A decision was issued in our favor, which Cablesistema has appealed.

In September 2003, Ruben Dario Correa brought a 'popular action' claim (similar to a class action in the U.S.) against UNE seeking the return of alleged overpayments in public telephones claiming damages of $33.3 million. The lawsuit was dismissed by the first instance for failure to provide evidence of the damages claimed. The plaintiff has filed an appeal, and a ruling is pending.

In September 2010, a group of approximately 20 individuals in Colombia commenced a lawsuit seeking to hold all mobile operators in the country, including us, liable for extortion committed through their networks, seeking COP 1.405 billion (approximately $500,000) from all mobile operators. A decision was issued in our favor, which the plaintiffs have appealed. Management does not believe there is any merit or legal basis for the claims, especially as the plaintiffs have not alleged that our network was used in any of the alleged extortion calls, and these claims are not included in our potential claims amount.

In March 2011, Emcali, a telecom operator, filed a claim against the regulator and joined UNE, as well as most other telecommunications operators (other than Colombia Móvil), which seeks to recover interconnection fees the plaintiff claims the government improperly imposed. The plaintiff seeks an order for damages and lost profits of COP 107 billion (approximately $36 million). A decision on this claim is expected in the second half of 2017.

In December 2012, Colombia Móvil renewed its concession contracts for an additional ten years (from February 2013 until February 2023). There is, however, an unresolved disagreement regarding the terms under which 40 MHz of the spectrum allocated to Colombia Móvil should be renewed, with management taking the view that the original concession price should be used—which would represent a price of COP 70 billion (approximately $24 million). The telecommunications ministry has taken the view that market price should be used, which would represent a significantly increased price of COP 425 billion (approximately $145 million). In February 2013, Colombia Móvil paid COP 93 billion (approximately $32 million) towards this amount to the government, with the final amount due to be determined by an arbitral panel. An arbitration panel ruled in Colombia Móvil's favor in July 2016, denying the additional amounts and awarding Colombia Móvil $5 million in damages. The telecommunications ministry is seeking to have the award set aside.

In April 2015, Libardo Melo filed a popular action claim against Colombia Móvil and the other principal mobile operators, seeking COP 700 billion (approximately $239 million) in compensation on behalf of customers allegedly having been billed for certain VAS and subscription services without their prior consent.

In June 2017, Comcel, a telecommunications operator, brought a claim against Colombia Móvil and the government seeking to nullify a decree establishing interconnection charges that Comcel alleged were improper. It is seeking to recover $31.4 million for charges paid to Colombia Móvil. This proceeding is pending.

In addition to the proceedings described above, our Colombian operations, UNE and Colombia Móvil, are involved in several legal proceedings and contract disputes, as well as administrative proceedings with the regulator and the Labor Ministry over service provisions, license terms and labor issues. The aggregate amount of material claims in the legal proceedings and contract disputes against our Colombia operations is $409 million.

El Salvador

In November 2016, a distributor whose agreement was terminated in October 2014 brought a claim against Telemóvil seeking $6 million in damages for improper termination of the agreement.

Ghana

In April 2014, Geniusnix Ghana Limited, a former e-pin retailer, alleged that a VAS Agreement with Millicom Ghana which did not become operational amounted to breach of contract, claiming $7 million in damages.

We are currently engaged in discussions with Helios Towers Africa regarding additional charges of GHS 263.7 million (approximately $60 million) that Helios Towers Africa claim are due under the terms of our master lease agreement in Ghana. These charges mainly relate to equipment configuration changes on the leased sites which Helios Towers Africa claim to have been undertaken without following processes outlined in the agreement. Helios Towers Africa have also adjusted the rent to reflect the equipment changes. We are in the process of confirming a settlement in this matter for $2 million for the additional charges and an additional $3 million per annum of rent increases.

Guatemala

On October 21, 2015, we reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Guatemala joint venture. On May 4, 2016, we received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. The matter remains under investigation in the United States, and we have and intend to continue to cooperate with law enforcement authorities. A committee of our board of directors is overseeing the process. Management has not been able to determine the potential impact of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities, which may be harmful to our business, financial condition, results of operations, cash flows or prospects.

On July 14, 2017, the International Commission against Impunity in Guatemala ("CICIG"), an independent international body established by agreement between the United Nations and the Government of Guatemala, disclosed its ongoing investigation into alleged illegal campaign financing in Guatemala includes a competitor of the Guatemala joint venture. CICIG further indicated that the investigation would include the Guatemala joint venture. We have no further information regarding the scope or status of CICIG's investigation.

Honduras

In April 2013, Comercial Arita S. de R. L., a former sales representative in the Honduras joint venture, alleged breach of contract claiming $5 million in general damages and loss of expected revenues. The trial court ruled in favor of Comercial Arita but did not establish damages. The case has been remanded to the trial court to assess damages.

Paraguay

In May 2016, Eventos & Marketing, a broadcasting provider, brought a claim against Telecel Paraguay seeking $6.5 million in damages because its 'One Sport' channel was not carried on Telecel Paraguay's pay-TV network.

Tanzania

In June 2015, we learned that 34,479 shares of our Tanzanian subsidiary, MIC Tanzania Limited, had been registered in the Tanzanian corporate registry to Golden Globe International Services, a

company controlled by a local businessman, Yusuf Manji, without our knowledge or consent. Our holding company, Millicom (Tanzania) N.V., remains the owner of these shares in MIC Tanzania Limited's share register. We challenged the purported share transfer and re-registration in the Tanzanian corporate registry and have brought court proceedings in Tanzania and elsewhere against Golden Globe International Services, Mr. Manji and his affiliated companies, which remain on-going. We retain ownership and control of MIC Tanzania Limited and Millicom (Tanzania) N.V. continues to exercise its rights as the sole shareholder in MIC Tanzania Limited, and we are confident that the challenges to our ownership of MIC Tanzania Limited are without merit.

In June 2016, through the Finance Act, Tanzania amended the Electronic and Postal Communications Act, 2010 requiring Tanzania's telecommunication operators to sell to the public in Tanzania and list on the Dar es Salaam Stock Exchange at least 25% of their shares by December 31, 2016, as further discussed under "*Telecommunications Regulations—Africa—Tanzania.*" We prepared an initial public offering prospectus and submitted it to the regulator for review by the deadline; however, we cannot commence our public offering until MIC Tanzania Limited converts to a public limited company, which the Tanzanian corporate registry has refused to complete until the claims by Golden Globe International Services have been resolved. Although the penalty for non-compliance could include a revocation of our telecommunications licenses in Tanzania, we remain in dialog with the regulators and do not anticipate that any material penalties will be levied at this time, and we anticipate having an opportunity to challenge any penalties that may be assessed in the future. One of our competitors, Vodacom Tanzania, commenced an initial public offering of 25% of its shares to Tanzanian investors in April 2017, which was suspended due to low participation and liquidity constraints in the Tanzanian market. The Capital Markets and Securities Authorities then changed the rules to allow non-Tanzanian investors to purchase shares in the offering, and the offer resumed. On August 8, 2017, Vodacom Tanzania announced the completion of its initial public offering of 560 million shares for $210 million, and that 60% of the shares were purchased by local Tanzanian investors.

In December 2016, MIC Tanzania and Zantel received a compliance order from the TCRA alleging that Zantel and MIC Tanzania's spectrum sharing arrangements are contrary to TCRA regulations and requesting that they cease sharing spectrum. We responded that the TCRA and the competition commission approved the spectrum sharing arrangement in October 2015 when they approved MIC Tanzania's acquisition of Zantel. On August 29, 2017, the TCRA ordered Zantel to stop sharing its frequencies in the 2100 MHz bandwidth with MIC Tanzania, which we intend to oppose. If we continue sharing spectrum in contravention of the TCRA's order and our appeal is unsuccessful, we could receive material fines and the loss of some or all of our frequency licenses.

We are currently engaged in discussions with Helios Towers Africa regarding additional charges that Helios Towers Africa claim are due under the terms of our master lease agreement in Tanzania. These charges mainly relate to equipment configuration changes on the leased sites which Helios Towers Africa claim to have been undertaken without following processes outlined in the agreement. We are in the process of agreeing the current equipment configurations based on a joint audit of the sites in Tanzania.

United States

Throughout 2017, Oscar Reyes has brought claims against MIC S.A. and its subsidiaries in a U.S. district court, alleging that he received unsolicited text messages sent by an entity associated with our group. Mr. Reyes alleges that, through those text messages, we or the associated entity violated the Telephone Consumer Protection Act (TCPA) and the Virginia Consumer Protection (VPA), seeking to establish a class action proceeding in respect of the alleged violations. The statutory damages for a TCPA violation are a $500 penalty per violation (i.e., per text message), which can be increased to $1,500 per violation for "willful" or "knowing" violations. The statutory damages for a VPA violation are calculated as the greater of actual damages or $500, which can be increased to up to three times the actual damages sustained, or $1,000, whichever

is greater, for "willful" violations. This case is still in its early stages, and we intend to vigorously contest these claims.

Tax disputes

In addition to the litigation matters describe above, we have ongoing tax claims and disputes in most of our markets. Generally, these disputes relate to differences with the tax authorities following their completion of audits for prior tax years dating back to 2007 or challenges by the tax authorities to our interpretation of tax regulations. Examples of these challenges and disputes relate to issues such as the following:

- the applicability, deductibility or reporting of VAT or sales tax in Chad, Ghana, Honduras, Senegal and Tanzania;
- withholding tax payable on commissions and services fees in Bolivia, Chad, El Salvador, Guatemala, Honduras, Paraguay and Tanzania;
- the application of stamp tax on dividend payments in Guatemala;
- the deductibility of expenses and interest on shareholder loans and other debt instruments in El Salvador and Honduras;
- the deductibility of management, royalty and service fees paid to MIC S.A. by our operations in Bolivia, Costa Rica, El Salvador, Ghana, Honduras and Tanzania;
- deductibility of commissions and discounts on handsets in Honduras; and
- the deductibility of expenses for depreciation and amortization in Colombia, Guatemala and Paraguay.

In many instances, the tax authorities seek to impose substantial penalties and interest charges while the disputed amounts remain unpaid, as we seek resolution through negotiations or court proceedings, resulting in significantly higher total claims than we expect the tax authorities will receive once the matter has been finally resolved. We work with the local tax authorities to substantiate claims or negotiate settlement amounts to close an audit, except in those instances where we are challenging or appealing the tax authorities' claims. For example, in 2016, the Honduras Government established a new tax code that became effective on January 1, 2017. The new tax code provided a one-time tax and customs benefit for the previous five tax years (looking back to 2012), through which a company could elect to obtain a tax compliance certificate and close all audits for the five-year period by paying 1.5% of the company's gross income for the fiscal year in the period for which the company had the highest revenues. In June 2017, our Honduras joint venture reached an agreement with the tax authorities to apply this benefit in exchange for a payment of HNL 193.5 million (approximately $8 million).

Management estimates the aggregate amount of these potential tax claims were $369 million and $311 million, respectively, as of December 31, 2015 and December 31, 2016, of which $76 million and $96 million, respectively, related to the Guatemala and Honduras joint ventures. Management has recorded provisions representing the probable amount of eventual claims and required payments related to these claims of $86 million and $65 million, respectively, as of December 31, 2015 and December 31, 2016, of which $9 million related to the Guatemala and Honduras joint ventures at each date.

Telecommunications regulations

Regulatory overview

Telecommunications and media services are subject to extensive regulatory requirements in each of the countries in which we operate. For a discussion of the material effects these laws and regulations have on our business, see "*Risk Factors—Risks Relating to Our Business and the Telecommunications and Media Industries*."

We are required to obtain and maintain licenses in each of the jurisdictions where we offer mobile services. These licenses are limited in time and subject to renewal. For a list of our material telecommunications licenses and the expiration dates of those licenses, see "*Our Business—Our Services and Market Position*."

We are generally required to obtain consents or approvals for our operations, such as operating or owning our wireless networks, utilizing our radio frequency allocations and establishing the rates we charge our customers.

Our business activities in certain countries may be subject to price control regulation with respect to mobile termination rates (the tariff chargeable by operators for terminating calls on their mobile networks), and any price control regulation may impact our costs and revenue. In Chad, Guatemala and Senegal, mobile termination rates are determined through bilateral agreements between operators, while in Bolivia, Colombia, El Salvador, Ghana, Honduras, Mauritius, Paraguay, Rwanda and Tanzania, mobile termination rates are set ex ante by the regulatory authority.

In Bolivia, Colombia and Rwanda, a glide path for mobile termination rates has been defined by the relevant regulator. In Colombia, the glide path only establishes asymmetric charges for new entrants. In Ghana and Tanzania, a glide path has been set for a reduction in mobile termination rates for 2013 to 2014 and 2013 to 2017, respectively.

In some markets at a more advanced stage of liberalization, regulators are revising telecommunications regulations to encourage further competition. Depending on the characteristics of the particular market, these regulations may include mobile number portability, which has been in operation in Ghana since July 2011, Colombia since August 2011, Chad and Paraguay since November 2012, Tanzania since March 2017, Honduras since May 2014, Costa Rica since November 2014, El Salvador since May 2015 and in Guatemala since October 2016.

The following is a summary of key mobile telecommunications regulations in the countries where the Millicom Group operates.

Latin America

Bolivia

The telecommunications industry in Bolivia is regulated by the *Autoridad de Fiscalización y Regulación de Telecomunicaciones y Transportes* ("ATT"), which provides telecommunications licenses, regulates spectrum resources and frequencies, promotes competition and regulates rates.

In 2010, a new Telecommunications Law was enacted, determining that all concession contracts migrate to a single licensing regime with specific permits for each service provided by the operator. All of our concession contracts were migrated to the new licensing regime. In 2015, our main license and associated spectrum were renewed for 15 years according to the new law. The new law provides for freedom of pricing, national roaming for voice calls, infrastructure sharing and a contribution of 2% of the gross income of each operator to the universal Service Access Fund (Prontis). The law also prohibits On Net/Off Net price differentiation.

In October 2012, Law No. 164, *Ley General de Telecomunicaciones, Tecnologias de Informacion y Comunicacion* was passed, which provides that private operators are only allowed to occupy 33%

of the country's wireless spectrum, with 34% reserved for community media and indigenous peoples and the remaining 33% reserved for the government.

MFS services are regulated by the *Autoridad de Supervisión del Sistema Financiero* ("ASFI"). The regulations do not require MFS providers to partner with a bank to provide the services. The regulations provide that interest may not accumulate on customers' electronic wallets and MFS providers may not sub-contract the services to agents. The regulations allow MFS providers to connect with banks through a clearing house, so that the customer can connect their electronic wallets with their bank accounts.

In February 2012, the ATT and Bolivian mobile operators began discussing a plan to implement mobile number portability in Bolivia. In March 2015, the ATT announced that it expected mobile number portability to be implemented in 2016. One year later, the ATT announced that four candidates were under consideration to oversee Bolivia's mobile number portability system, but no further developments have been announced.

Colombia

In Colombia, the Ministry of Information and Communications Technology (the "ICT Ministry") manages the radio electric spectrum and grants operating licenses alongside the independent spectrum management authority (*Agencia Nacional del Espectro*), and a regulatory entity known as the Communications Regulatory Commission ("CRC") is in charge of issuing and controlling the regulatory framework applicable to the telecommunications industry, promoting competition and ensuring that services are rendered efficiently. Colombia is a "calling party pays" country (meaning that the originating call pays the full cost of calling a mobile or fixed handset, plus the full cost of terminating the call on the mobile network, while the recipient of an incoming call is not charged for that call; in "receiving party pays" countries, a party calling a mobile handset pays a standard price, comparable to the cost of calling a fixed hand-set, and the mobile user receiving the call pays the cost of terminating the call over the mobile part of the network, which is often the same price as if the mobile user was making an outgoing call).

In March 2013, the CRC published a final resolution, setting out the framework for automatic national roaming. In February 2017, the conditions to provide national automatic roaming were updated, which included regulated prices for certain services as well as the obligation to provide services on any operator's request. In April 2017, the CRC implemented pricing caps for mobile virtual network operators and national roaming tariffs in Colombia.

The CRC defined a glide path for mobile termination rates in 2011, with asymmetric charges for the dominant operator in an attempt to rebalance the market. In December 2014, the charges were reduced and now only apply to new entrants.

In August 2013, the Constitutional Court in Colombia required Claro and Movistar, Colombia's two largest providers, to surrender their telecommunications infrastructure once their concessions expired in March 2014, as required under the terms of the concessions. The terms of Colombia Móvil's and UNE's licenses do not require those operators to return infrastructure to the government upon expiration, as these licenses were granted later and the providers built their own networks. In March 2014, the ICT Ministry renewed the license for Claro's and Movistar's use of 40 MHz spectrum to provide mobile services for a term of ten years. The issue was still pending in 2015 and the ICT Ministry referred the issue to an Arbitration Court, which ruled in favor of the ICT Ministry and ordered Claro and Movistar to pay COP 3.1 billion (approximately $1 million) and COP 1.6 billion (approximately $500,000), respectively.

The ICT Ministry and spectrum regulator ANE are consulting over the award of spectrum in the 700 MHz and 1900 MHz bands, as well as increasing the spectrum caps in the low and high bands. The first auction process draft was published in February 2017; however, no additional information has been provided concerning the completion date or cost.

Colombia has established a universal service fund designed to finance telecommunication infrastructure to underserved and disadvantaged regions. This fund is funded by mandatory contributions from operators of 2.2% of their gross annual income. Colombia Móvil, as per the terms of its current license, is contributing 3% of its gross income from data services and 5% of its gross income (net of certain fees paid to other operators for access) from voice services, until April 29, 2018 and February 2, 2023, respectively.

Mobile number portability was introduced in Colombia in 2011.

In July 2014, regulations were implemented which prevent mobile handsets from being subsidized by mobile operators in return for a minimum contractual commitment by customers.

In October 2015, the CRC issued a new regulation to facilitate the entry of additional MVNOs in Colombia, aimed at simplifying the license regime and attracting new entrants.

In January 2017, as a result of limited competition in the market, the CRC classified a new "Mobile Services Market," which combines mobile voice services and mobile internet services in order to implement ex ante regulations to promote competition. The CRC declared Claro as the dominant operator in this market but has not yet issued any regulations.

Costa Rica

The Costa Rican government liberalized the national telecommunications market in 2008. A new Telecommunications Law was enacted in June 2008 and the new telecom regulator *Superintendencia de Telecomunicaciones* ("SUTEL") was put into operation. SUTEL began authorizing new companies in 2009. However, it took a year to sign interconnection contracts, meaning that the first competitors were not fully interfaced until mid-2010.

In 2010, the Constitutional Chamber of the Supreme Court of Justice of Costa Rica declared internet access to be a fundamental right. Since then, the government has developed a national broadband strategy, intended to foster economic growth through the deployment of broadband technology to remote areas and the promotion of innovation in the information technology sector.

In December 2016, SUTEL determined that there was effective competition in the international telephone, fixed internet, international roaming and transit telecommunication markets and lifted its tariff controls in those markets.

Costa Rica has established a National Telecommunications Fund designed to finance universal service projects. Operators make mandatory contributions to the fund of between 1.5% and 3% of gross revenues per annum.

Mobile number portability was introduced in Costa Rica in 2014. In June 2015, SUTEL attempted to introduce fixed number portability; however, the *Instituto Costarricense de Electricidad* claimed that this would introduce illegal competition in the fixed line market. The case is under review by the Supreme Court.

The Costa Rican government is implementing a new national plan for the development of telecommunications, which will have important implications on the telecommunications sector in Costa Rica. The national plan is based on three pillars: (i) e-Government and transparency, promoting a closer and more open relationship between public administration and the population in a way that increases state efficiency, eases access to innovative public services and promotes transparency and civil society's active participation in the supervision and decision making of the State: (ii) e-Economy, creating greater opportunities for economic and social wellbeing for the population, through increased access to digital technologies; and (iii) Digital Inclusion, reducing the digital gap in access, use and appropriation of digital technologies, with the aim that the population, especially those in vulnerable conditions, enjoy the benefits of technology.

El Salvador

In 1996, the government of El Salvador passed a telecommunications law designed to encourage competition in all areas of the sector which permitted foreign investment for the first time and established the regulatory authority (*Superintendencia General de Electricidad y Telecom* ("SIGET")). The law was amended in 2016 and governs all activities of the telecommunications sector, with particular emphasis on the regulation of the public telephone service, utilization of radio spectrum, access to essential resources and numbering plans. The amendment also introduced a universal service fund designed to finance telecommunication infrastructure to underserved and disadvantaged regions. This fund will apply to new licenses and will be funded by mandatory contributions, in an amount to be determined in implementing regulation. In 1998, El Salvador was the first country in Central America to privatize its telecommunications sector, resulting in foreign and local operators making significant investments in infrastructure improvement and considerable growth in the number of mobile connections.

The maximum rates that mobile operators can charge for voice calls have undergone a series of reductions, with the most recent reductions becoming effective on November 1, 2015, when the price caps were reduced to $0.116 per minute for on-net mobile calls, $0.140 for off-net wireless calls and $0.097 for mobile-to-landline calls.

In 2015, a financial inclusion law was issued in order to regulate e-money providers, establishing an adequacy period. By the end of 2017, we expect our MFS operation in El Salvador to be granted a license under the terms of the aforementioned law to become a regulated business.

In November 2015, El Salvador's antitrust regulator fined the country's four largest mobile operators: our El Salvador operations, CTE Telecom Personal (Claro), Telefonica Moviles El Salvador (Movistar) and Digicel for abusing their dominant market position to block interconnection agreements with competitors.

In 2015, an anti-extortion law was adopted requiring telecommunications operators to block signals in prisons, or face up to $900,000 in fines. In 2016, the Salvadoran congress approved extraordinary measures permitting the Justice and Public Safety Ministry to suspend power to tower sites in order to ensure the required signal blocking.

In 2015, the Salvadoran legislature enacted a law that introduced an additional 5% tax on telecommunication services to finance government security plans. The new tax is in addition to the existing 13% value-added tax, bringing the total tax for pre-paid telecoms services and products to 18%.

Mobile number portability was introduced in El Salvador in 2015.

Guatemala

Between 1996 and 1998, Guatemala implemented a liberalization and privatization program for the telecommunications industry. The General Telecommunications Law was enacted in 1996, immediately opening the sector to competition and preparing the ground for privatization of the incumbent operator Guatel, re-named Telgua, which took place in 1997. The law also created a regulatory authority, the *Superintendencia de Telecomunicaciones* ("SIT"), which is primarily responsible for the allocation of radio spectrum, resolving access disputes and administering the national numbering plan. In October 2013, Guatemala implemented regulations requiring registration of personal identification numbers by all mobile services users, and for operators, the registration of sales points and input to the Registry of Distributors, Registry of Assemblers, Registry of Importers, Registry of Exporters and Registry of Traders. This regulation also created an IMEI black list for all stolen mobile phones. On December 5, 2012, new regulations came into effect which granted telecommunications license holders the right to apply for automatic extensions of all existing licenses by an additional 20 years. The Guatemala joint venture's spectrum rights frequency licenses have been extended and will expire in December 2032 and January 2033, respectively.

In 2015, the SIT transferred advanced wireless services ("AWS") frequencies from reserved to regulated, so that they could be acquired by any interested party. Telefónica and other telecommunications companies filed several administrative proceedings to challenge the transfer, which remain pending.

Effective January 1, 2015, the regulator introduced a SIM card tax, which charges operators GTQ5 (approximately $0.68) per SIM card. In an effort to avoid unnecessary payments under this new tax, the Guatemala joint venture, Claro and Movistar reported the disconnection of approximately six million inactive members from their customer base.

Guatemalan anti-money laundering laws require an MFS provider who operates domestic or international money transfers to register as a money remitter, and we are registered as a money remitter with the *Intendencia de Verficación Especial* ("IVE") a governmental office of the Superintendence of Banks.

Mobile number portability was introduced in Guatemala in 2016.

In June 2017, Guatemala was the first country in Central America to join the A4AI (the Alliance for Affordable Internet) and implemented a three-year plan to reduce the cost of internet so that all people in Guatemala can connect.

Honduras

The *Comisión Nacional de Telecomunicaciones* ("Conatel") was created in October 1995 as the national regulatory authority and reports directly to the Presidency of the Republic of Honduras. It operates a licensing system for all telecommunication services in Honduras and is in charge of promoting the modernization and development of the sector by encouraging private investment, free competition and improved quality of service. Conatel also has control over radio spectrum resources in Honduras and the authority to impose penalties for regulatory violations. Although *Empresa Hondureña de Telecomunicaciones* (Hondutel), the state owned national incumbent operator, has a monopoly over local and long-distance telephone services, the government has opened VAS and mobile telephone services to competition. Following an unsuccessful bid for a joint venture partnership in a new mobile subsidiary, management of Hondutel was ceded to the government, which continues to seek a strategic partner to improve Hondutel's operations. Mobile operators have the right to carry international traffic for their own customer base. Mobile number portability was introduced in May 2013.

In March 2012, the regulator introduced mandatory SIM card registration designed to reduce untraced criminal activity. Those who did not register their SIM card by the deadline were disconnected. New regulation was established in 2014, which was amended in August 2017 to create a 'white list' and a 'black list' to be administered and operated by Conatel or a third party. The regulation is still pending implementing regulation from Conatel.

The General Telecoms Market Law of 1995, as amended, governs the provision of broadband services in Honduras. In 2011, Conatel promulgated regulations governing internet services and access to computer networks. In March 2014, the Investment Fund in Telecommunications and Information and Communications Technologies ("FITT") was established to finance access and universal service. Operators must contribute 1% of their gross monthly income to the FITT.

On January 31, 2014, a law was issued prohibiting telecommunications providers from providing services in prisons and requiring them to block signals to prisons.

In Honduras, MFS providers typically choose to work in partnership with a licensed bank to mitigate risks of any non-compliance with applicable banking and other regulations. We work in partnership with Banco Atlántida, a major banking institution in Honduras. The laws do not allow the accrual of interest on customers' mobile wallets, allow providers to sub-contract the services to agents and allow third parties, including mobile operators, to operate the payments.

In 2016, the Honduran government passed a new regulation intended to exercise control over the operations of non-banking financial institutions using e-money. We have applied for a license to fully comply with the new requirements, which we expect to obtain by the end of 2017.

Paraguay

The Telecommunications Law of 1995 was intended to liberalize the sector through the creation of the *Comisión Nacional de Telecomunicaciones* ("CONATEL"), the regulatory authority of the telecommunications sector in Paraguay. In line with international trends, the Telecommunications Law governs the sector based on services: basic service (local and international landline telephone), broadcasting services, value added services (e.g., mobile telephone, internet, pay-TV and broadband) and other services. Mobile telephone and broadband service providers are granted five-year term licenses. Pay-TV service providers are granted ten-year term licenses. Although the law succeeded in opening up the mobile and VAS markets, including the internet service provider market, state-owned incumbent Compañia Paraguaya de Telecomunicaciones S.A. ("Copaco") has retained its monopoly position in the fixed-line voice market. However, in 2009, CONATEL terminated Copaco's monopoly over wholesale internet access.

Despite the short term for most licenses owed by Telecel Paraguay, renewal requirements are fairly straight forward: comply with all license obligations, all regulatory taxes and fees, and all applicable regulations. The renewal process to be applied shall be the same as the one used for granting the license.

The current National Telecommunications Plan (managed by CONATEL) sets the following targets for the 2016 to 2020 period:

- increase broadband penetration (40% by 2020);
- establish broadband connectivity to government offices (mainly for health and educational agencies);
- increase broadband connectivity along main national roads;
- reduce broadband end user price (80% by 2020);
- reduce mobile termination rate;
- increase mobile and fixed broadband coverage; and
- establish incentives for software and apps development.

Paraguay has also established a universal service fund designed to finance telecommunication infrastructure to underserved and disadvantaged regions. This fund is funded by mandatory contributions from operators of 1% of their gross annual income.

A new regulatory authority was established in 2013 which commenced operations in 2016. This authority will govern all aspects related to the defense of the competition of all sectors of the economy, not only the telecommunications sector. In 2017, the Tariff for Telecommunications Services Regulation was amended. While the new regulations take into account most recent business practices (such as promotions, unlimited usage and bundle offers), the main rules for setting tariffs for mobile, broadband and pay-TV services were not revised (for example, there are no restrictions on tariff pricing based on offer and demand, subject to the regulator's monitoring).

Mobile number portability was introduced in Paraguay in 2012.

In May 2014, regulations were implemented which prevent mobile operators from setting an expiry date by which customers must use their prepaid voice minutes or SMS bundles. In 2016, additional regulations which require mobile operators to block IMEIs reported as stolen or lost, reduce mobile termination rates by 12.5% to 1.4 cents per minute and update consumer protection rights were issued.

In March 2015, we were granted a license by the Paraguay Central Bank to operate under as an "*Entidad de Medio de Pago Electronico*" which allows us to operate our MFS business in Paraguay. Under Paraguay MFS regulations, we cannot accrue and pay interests on customers' mobile wallets.

In August 2017, a new bill was proposed in relation to the registration and activation of SIMs cards. The bill proposes new procedures for the activations of customers and that operators should register all customer databases within a year, which must include customer fingerprints. The regulation has not yet been enacted by the President, following which it would still be subject to implementing regulation by CONATEL.

In August 2017, CONATEL issued draft bidding rules for a 700 MHz spectrum auction, which is expected to take place by early 2018.

Africa

Chad

Chad's telecommunications market is governed by Law 014/PR/2014, which was passed in March 2014. The law established a new regulatory body, the *Autorite de Regulation des Communications Electroniques et des Postes* (the "ARCEP"), replacing *the Office Tchadien de Régulation des Télécommunications* (the "OTRT"). The ARCEP regulates the electronic communications and postal sectors and is in charge of the planning and management of frequencies. The ARCEP may also institute proceedings or apply sanctions against operators.

In August 2012, the OTRT reportedly fined the country's three incumbent mobile operators, including our Chad operation, a combined figure of XAF 1.1 billion (approximately $2 million), $1 million of which was assessed to Millicom Tchad, for failing to meet their previously stated quality of service commitments. OTRT alleged various breaches following a regulator- backed study. Millicom Tchad contested the fine on the basis of, among other things, the manner in which the fine was calculated and the process by which the penalties were determined. Despite this ongoing matter, in 2013, the OTRT issued Millicom Tchad with another quality of service penalty of XAF 300 million (approximately $100,000) for 2012, applying the same procedures being contested.

In August 2017, ARCEP reduced the duration of all three operators' licenses, including their 3G/ 4G concessions, by one year as punishment for the continued lack of improvement with respect to the quality of service commitments. As a result of such action, the operators' 3G and 4G concessions are now set to expire in 2023.

On January 1, 2017, a new Finance Law came into force which introduced a new excise duty on the turnover of mobile phone companies at a rate of 18%.

Chad has established a universal service fund for designed to give access to electronic communications to underserved and disadvantaged regions. This fund is funded by mandatory contributions from operators.

MFS are regulated under the Electronic Money Regulations and MFS providers are required to be a bank, or a partnership of a mobile network operator and a bank. We work in partnership with Orabank.

The Electronic Money Regulations are silent on whether interest can accrue on customers' mobile wallets and as to whether providers can sub-contract to agents or allow third parties to operate the payments.

Ghana

The National Communications Authority Act, 2008 (Act 769) established the National Communication Authority ("NCA") as the central body to license and regulate communications activities and services. The NCA was originally created to act as an independent regulator and is responsible for setting technical standards, licensing, overseeing tariffs, monitoring services, assigning spectrum and resolving disputes between operators. There are no limits on foreign ownership of telecommunications companies; however the NCA's application guidelines for certain licenses (such as the broadband wireless access license) require applicants to have, at least, 30% Ghanaian ownership.

In February 2010, in an attempt to protect mobile users, the NCA began a SIM registration scheme, which was intended to identify all SIM users and customers of mobile networks. Under the new policy, so-called "already active" SIMs will no longer be available for purchase, and instead SIM activation will be delayed until the customer has provided personal details backed by an official national identity document. Existing mobile phone owners must also follow this procedure, and any phone or device with an unregistered SIM will be unable to send or receive calls or data. Once users are registered, if their phone is stolen or lost they can get a new SIM card issued to them with the same number. Following the March 3, 2012 deadline, the NCA confirmed that more than 1.5 million mobile SIM cards had been deactivated and approximately 16 million cards were registered correctly.

In March 2014, the Ghanaian Government implemented an additional SIM card registration scheme which requires all operators to ensure that their customers have registered certain personal details on SIM activation, as required by the 2010 regulation. The registration scheme is part of the National Identification Authority's policy for all Ghanaians to have a single national ID. The project will establish an integrated data warehouse of databases from key public institutions such as the Police, National Health Insurance Scheme, Passport Office, Immigration Authority, Courts, Ghana Revenue Authority, and the Driver and Vehicle Licensing Authority. The single national ID will be used for multiple purposes, including tracking the immunization of children, issuing driving licenses and passports, registering for mobile SIM cards and eliminating so-called "ghost names" from the civil service payroll. The National Identification Authority will commence nationwide implementation of the policy starting September 2017, which is expected to be completed in less than 18 months. The sanctions for non-compliance are based on the customer's data usage (1 penalty Unit = 12 GHs) and 2,000 penalty units is $6,000 per unregistered customer and $3,000 per customer for each additional day on the network.

The NCA has routinely fined the Ghanaian mobile operators, including our Ghanaian operation, in recent years for violating service quality standards. In July 2013, all six mobile operators were fined for various breaches of standards, including those relating to call congestion rates and call set up times in amounts of up to $160,000. In March 2017, all six of the country's mobile operators were again ordered to improve their quality of service within the Accra-Tema metropolitan area.

Ghana introduced mobile number portability in 2010.

The NCA had initially assigned each of the mobile operators in the country a block of ten million numbers without charge, and the mobile companies were subsequently charged a flat rate of $1 million for new blocks of ten million numbers. In November 2013, the NCA proposed a levy on new blocks of mobile numbers, in addition to the initial flat rate, which would consist of a tiered fee structure based on the number of blocks requested by an operator. This additional levy has yet to be implemented.

In July 2013, the Ghanaian government abandoned plans to pass legislation that would have imposed a 6% tax on interconnection fees for incoming international calls; however, in the same month it also implemented regulations to re-introduce a 20% import duty on mobile, cellular and satellite telephone handsets.

The NCA issued revised mobile termination rates for the period from 2015 to 2017. From January 2016, an asymmetric rate will apply if the outgoing traffic is equal to, or greater than, 60% of the total traffic exchanged between two operators in a calendar month. An asymmetric rate discounted at 20% of the symmetric rate is payable on the difference in traffic to the net receiving operator. The NCA has also announced that domestic traffic should be retailed at a rate greater than, or equal to, that of the interconnect rate. This will mean a floor price on on-net tariffs, which we are currently contesting as impermissible price regulation.

The NCA recently announced its intention to introduce four new licenses: (i) an interconnect clearing house license; (ii) Ghana's first unified access service license, allowing all of Ghana's MNOs to also provide fixed line services; (iii) MVNO licenses, and (iv) international gateway licenses to eligible applicants to bring in international incoming traffic service.

In February 2015, an interconnect clearing house license ("ICH") was awarded to Afriwave Ghana pursuant to which all local and international traffic will be routed through the clearing house. The stated intention of the NCA in implementing the ICH is to facilitate revenue monitoring, adjudicate interconnect disputes and to curb SIM-boxing. Industry participants have expressed significant concerns about the effect of the ICH on their operations, including increased costs and disruption of their businesses. In June 2016, the NCA published an amended draft of legislation aimed at regulating the activities of operators who connect and route national and international traffic through an ICH, as well as overseeing the operations of the ICH itself. The legislation was approved by parliament the following month, although interconnect rates will remain unchanged until January 2018 in an effort to protect consumers from price increases.

MFS are regulated under the 2008 Guidelines for Branchless Banking and MFS may only be provided by a bank, which can be assisted by an agent. We use Ecobank, AFB and UBA to provide MFS in Ghana. The current guidelines are expected to be replaced by the 2013 Guidelines for Branchless Banking which are currently in draft form and allow mobile network operators to provide MFS; however, the implementation of these new guidelines has been delayed indefinitely. The current laws are silent as to whether interest can be accumulated on customers' mobile wallets, allow providers to sub-contract the services to agents and allow third parties, including mobile operators, to operate the payments.

Rwanda

The enabling framework for the liberalization of the telecommunications sector in Rwanda was put in place by the current Telecommunications Law, which was passed in 2001. The Telecommunications Law established the Rwanda Utilities Regulatory Agency ("RURA"), granting it the authority to regulate telecommunications and setting up a regulatory board to carry out that function. The overall aim of the telecom reform policy was to increase universal affordable access to telecommunications in the interests of social and economic development.

In February 2013, Rwanda introduced mandatory SIM card registration as an anti-crime measure. The registration period ran from February 4, 2013 until July 31, 2013, during which time all prepaid mobile customers in Rwanda were required to register their SIM cards. Those who did not register their SIM card by the deadline were disconnected.

In July 2011, RURA reduced the interconnection rate from RWF40 per minute to RWF35 per minute and introduced a four-year glide path; under which mobile interconnection charges fell to RWF32 in January 2012, before dropping to RWF28 twelve months later, and eventually reaching RWF22 in January 2014.

In November 2013, Rwandan operators called on RURA to reduce roaming fees and committed to cap the minimum roaming charges from October 2014, as part of a regional 'One Network Area' program.

Mobile number portability was set to be introduced in Rwanda in 2011 but it was suspended indefinitely. In February 2016, RURA issued a call for companies experienced and interested in implementing mobile number portability to submit their bids to the regulator by March 31, 2016; however, as of March 2017, no further developments had been announced.

MFS are regulated under Regulation No. 6/2012 on Payment Service Providers and MFS providers are not required to be a bank. The laws are silent as to whether interest can be accrued on customers' mobile wallets, but the regulator has discouraged this practice. The laws allow MFS providers to sub-contract the operation of payments to agents and third parties, including mobile operators.

Senegal

The *Agence de Régulation des Télécoms et Postes* ("ARTP") is responsible for licensing, spectrum management, tariff approval, interconnection rates and frequency allocation. The 2001

legislation that created the agency also paved the way for opening up the rural telephone market to private investment as a means of achieving universal service and connecting villages beyond the reach of Sonatel, the incumbent operator. It also articulated a series of guiding principles for the sector, namely transparency, fair competition, equal treatment of end users, operators' contributions to the Universal Access Fund, and obligations on network interconnection.

In October 2011, then President Abdoulaye Wade proposed a new law that would ensure the state held at least a 35% share in all telecommunications companies operating in Senegal. Although the proposal seemed to have been dropped shortly thereafter, the government resurrected the plan in April 2014, indicating that it intended to retake control of Sonatel when the operator's license expires in October 2017. There has been no significant developments and Sonatel continues to be owned by Orange Group, the government of Senegal (27.15%) and employees and private individuals.

In June 2013, the ARTP called for licenses to offer wireless internet services (including 4G mobile) as part of wider plans to continue the process of liberalization of the telecommunications sector by allocating additional concessions. Also in June 2013, after consultation with the country's mobile operators, the ARTP announced its intention to supervise the quality of services provided by incumbent licensees in Senegal by setting targets and imposing penalties for non-compliance. In the same month, the Ministry of Communication, Telecommunications and Digital Economy launched a scheme to identify all mobile customers in the country. In May 2016, the ARTP ordered subscribers to complete the mandatory registration of all their SIM cards within six months. Those SIM cards that were not registered by the deadline were blocked.

In July 2013, the ARTP published a number of decisions aimed at updating the management rules for the National Numbering Plan, and increasing transparency relating to fees for value added services.

In May 2012, ARTP established fixed line interconnection rates for Sonatel and in December 2015, established fixed line interconnection rates for us.

MFS are regulated under BCEAO Instructions No 008-05-2005 and No. 001/2006 on payment service providers and MFS providers are required to be banks. We have partnered with Bank Atlantique to provide our MFS services in Senegal. The laws are silent as to whether interest accrue on customers' mobile wallets and whether providers can sub-contract services to agents, and they allow third parties, including mobile operators, to operate the payments.

In July 2017, the ARTP conducted quality of service audits across all three operators. We met all targets, except one particular suburb area in Dakar, where we have informed ARTP of a time-limited incident we had that coincided with their audit. ATRP have issued us with a notice of non-compliance, which we intend to contest.

Tanzania

The Tanzania Communications Regulatory Authority ("TCRA") is the country's communications regulator. Tanzania's telecommunications markets are governed under the broad remit of the Electronic and Postal Communications Act, 2010 (Act No. 3/10) as amended, (the "EPOCA") enacted in March 2010. The EPOCA is designed to provide a comprehensive regulatory regime for electronic communications service providers and postal communications service providers; to establish the Central Equipment Identification Register for registration of detachable SIM cards and built-in SIM cards in mobile phones; to provide for duties of electronic communications and postal licensees, agents and customers, content regulation, to regulate competition and practices; to provide for offenses relating to electronic communications and postal communications; and to provide for transitional provisions, consequential amendments and other related matters.

In June 2016, Tanzania revised and confirmed a 2009 law requiring Tanzania's telecommunication operators to sell to the public in Tanzania and list on the Dar es Salaam Stock Exchange at least 25% of their shares by December 31, 2016. We prepared an initial public

offering prospectus and submitted it to the regulator for review by the deadline; however, we cannot commence our public offering until MIC Tanzania Limited converts to a public limited company, which cannot be completed until the claims by Golden Globe International Services have been resolved. Although this situation creates a prolonged material breach of our license, which could lead to sanctions including a revocation of our telecommunications licenses in Tanzania, we remain in dialog with the regulators and do not anticipate that any material penalties will be levied at this time, and we anticipate having an opportunity to appeal any penalties that may be assessed in the future. See "*Our Business—Litigation and Legal Proceedings—Tanzania*."

One of our competitors, Vodacom Tanzania, commenced an initial public offering of 25% of its shares to Tanzanian investors in April 2017, which was suspended due to low participation and liquidity constraints in the Tanzanian market. The Capital Markets and Securities Authorities then changed the rules to allow non-Tanzanian investors to purchase shares in the offering, and the offer resumed. On August 8, 2017, Vodacom Tanzania announced the completion of its initial public offering of 560 million shares for $210 million, and that 60% of the shares were purchased by local Tanzanian investors.

The Electronic and Postal Communications (Interconnection) Regulations are applicable to all operators wishing to terminate traffic onto operators' networks. Under these rules adopted in 2011, interconnection agreements are required to be transparent and non-discriminatory, must be formulated on cost-based interconnection charges, and must provide an adequate level of quality of service. New interconnection rates and a glide path for five years became effective on March 1, 2013. The rates are upper limits, but operators are free to commercially negotiate and agree on lower rates. In addition, the government has been carrying out preparations activities for implementing further privatization.

In June 2013, the Telecommunication Traffic Monitoring Systems ("TTMS") was established by the EPOC (Telecommunication Traffic Monitoring System) Regulations (the "EPOC Regulations") and the TTMS went live in October 2013. The main functions of the TTMS are to monitor both international and local traffic, quality of services and MFS. The TTMS monitors mobile traffic and not content. Consumer confidentiality and privacy is protected under the EPOC Regulations. During the exchange with TCRA of call details records for international incoming calls for the purposes of reconciliation, the final three digits of the calling number provided are encrypted. The EPOC Regulations have introduced a minimum rate of $0.25 for international incoming calls, regulating international carrier exchange rates and revenue share between operators, the government and the TCRA.

In 2008, the government announced plans to register all mobile phone numbers to curb mobile phone theft and related crime. Tanzania launched a mobile SIM registration scheme in 2009, under which mobile phone users in the country were required to register their SIM cards and provide documents confirming their identity before they could buy a SIM card. By March 2010, 10.2 million people had successfully registered their SIM cards. In 2016, TRCA changed the criteria for valid registration of customers to IDs and passports only. Following a TCRA investigation of the SIM card registration process in June 2016, TCRA fined six operators: Smart Telecom, Zantel, Airtel, Viettel (Halotel), Vodacom and our Tanzania operations, for a combined total of TZS 10.7 billion (approximately $5 million), for violating the SIM card registration regulations. Further penalties were issued in April 2017.

In July 2013, the government imposed a monthly tax on SIM cards and imposed a 14.5% excise duty on accessing telecommunication services. In December 2013, the government removed the monthly tax on SIM cards and increased the excise duty on accessing telecommunication services to 17%. Mobile number portability is expected to be introduced in May 2015 in order to increase competition among operators, improve service levels and reduce costs.

Tanzania has established a Universal Communications Services Access Fund designed to finance improve access to communication services in underserved and disadvantaged regions. The fund

awards subsidized contracts to operators to deploy networks in underserved areas. From 2017, operators are required to contribute 1% of their gross operating revenues.

In March 2017, the TCRA introduced mobile number portability.

MFS products and services are subject to financial services regulation under the National Payment Systems Act (the "NPSA"), which came into force on July 1, 2016 and established a new regulatory framework for MFS in Tanzania. The NPSA requires companies other than banks and financial institutions that operate payment systems in Tanzania to obtain a payment system license from the Bank of Tanzania. In addition, the NPSA requires such companies to set up a separate legal entity, in form of a trust, to hold all the funds deposited by customers. In November 2016, the Company was granted a payment systems provider license to operate its MFS platform. MFS providers do not need to be banks; however, banks are the only providers that are able to sub-contract services to agents. Interest can accrue on customers' mobile wallets, but this interest cannot be retained by the operator. Some Tanzanian MFS providers have donated this interest to charities, and in September 2014, we launched Wekeza, which we believe, is the world's first mobile money service, which passes on the interest directly to our Tigo Pesa customers' wallets without the need for separate registration. Third parties, including mobile operators, may operate the payments. In December 2015, the National Payment System Act introduced a new MFS regulatory framework controlled by the Central Bank of Tanzania. Operators were required to apply for a National Payment License and an Electronic Money Issuer License by July 2016 and the Central Bank of Tanzania was empowered to regulate money transfer operations. On July 1, 2014, a 10% excise duty on mobile money transfer fee revenues, payable by telecommunications operators, was introduced and on July 1, 2016, applied on commission from both sending and receiving transactions.

Major shareholders and related party transactions

Principal shareholders and corporate structure

As of June 30, 2017, the principal shareholders with an interest in the shares of MIC S.A. were as follows:

Name of Shareholder	Number of shares	Percentage of voting shares
Kinnevik AB	37,835,438	38%

MIC S.A. is not aware that any person other than the holders listed above have voting and investment power with respect to these shares. The holders listed above have the same voting rights as all other holders of MIC S.A.'s common shares.

Related party transactions

The Millicom Group conducts transactions with subsidiaries, joint ventures and associates of its principal shareholder, Kinnevik AB, and its subsidiaries, including for the purchase of fraud detection, procurement and professional services, and with tower companies in which it holds (or previously held) equity interests including tower companies located in Colombia, DRC (until October 2015), Ghana and Tanzania, and, since October 2015 Helios Towers Africa Ltd. and as discussed below under "*—Tower Companies*." We also purchase and sell products and services, such as handsets and airtime to, Miffin Associates Corp, our joint venture partner in Guatemala, and its subsidiaries, and Empresas Públicas de Medellín E.S.P. ("EPM"), our non-controlling interest holder in Colombia Móvil. Transactions with related parties are conducted on normal commercial terms and conditions.

The following transactions were conducted with related parties during the years ended December 31, 2014, 2015 and 2016 and the six-month periods ended June 30, 2016 and 2017:

	Years ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(U.S. dollars in millions)				
Expenses					
Purchases of goods and services (Kinnevik)	3	3	7	3	1
Purchases of goods and services (Miffin)	155	148	167	91	95
Purchase of goods and services (EPM)	1	17	22	10	11
Lease of towers and related services (Helios and American Tower Company(*))	102	36	35	16	19
Lease of towers and related services (UNE)	13	–	–	–	–
Other expenses	–	2	2	1	1
Total	**274**	**206**	**233**	**121**	**127**
Income and gains					
Sale of goods and services (EPM)	8	19	18	8	9
Sale of goods and services (Miffin)	213	253	261	95	132
Gain on sale of towers (Helios and American Tower Company)	42	–	–	–	–
Revenue from lease of towers and related services (UNE)	22	–	–	–	–
Other revenue	7	4	10	5	2
Total	**292**	**276**	**289**	**108**	**143**

(*) Purchases from American Tower Company apply to fiscal 2014 only; purchases from Helios were in the form of shareholder loans.

As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had the following balances with related parties:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(U.S. dollars in millions)			
Liabilities				
Finance lease payables to tower companies	127	122	85	92
Payables to Miffin[1]	10	335	245	170
Payable to our Honduran partner[2]	–	225	118	140
Payables to EPM	–	66	3	3
Payable to Africa Internet Holding for 13.33% ownership interest increase	31	–	–	–
Other accounts payable	16	18	20	26
Total	**184**	**766**	**471**	**431**
Assets				
Loan to Helios Towers Tanzania	18	7	10	7
Advances to Miffin	212	–	–	–
Advances to Centrotel	88	–	–	–
Receivables from EPM	–	5	4	5
Other accounts receivable	31	4	3	–
Total	**349**	**16**	**17**	**12**

(1) Represents shareholder loans to Miffin, our local partners in Guatemala.
(2) Amounts payable mainly consist of dividend advances, which are expected to be declared in 2017.

As of December 31, 2014, 2015 and 2016, we had the following investments in associates:

	As of December 31,		
	2014	2015	2016
	(percentage ownership)		
Africa			
Helios Towers Africa Ltd.[1]	24.5% – 40.0%	28.25%	22.83%
Africa Internet Holding GmbH[2]	–	33.33%	10.15%
West Indian Ocean Cable Company Limited[3]	–	9.1%	9.1%
Latin America			
MKC Brilliant Holding GmbH	35.0%	35.0%	35.0%
Unallocated			
Milvik AB	27.02%	26.75%	26.75%

(1) On October 7, 2015, we and Helios Towers Africa signed an agreement whereby we owned 28.25% of shares in Helios Towers Africa (24.4% on a fully diluted basis), following a shareholding exchange. As a result, shares we held in Helios Towers Africa's tower companies in Ghana, DRC and Tanzania were exchanged for shares in Helios Towers Africa, as further discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure—Helios Towers Africa*."
(2) During 2015, we ceased to jointly control Africa Internet Holding following changes in its shareholder rights; hence, Africa Internet Holding had been considered as an investment in an associate as from December 31, 2015.
(3) West Indian Ocean Cable Company Limited, a wholesale provider of internet capacity offering connectivity across 30 African countries that is jointly owned by several African telecommunications operators, was acquired as part of the Zantel acquisition, as further discussed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Acquisitions—Acquisition of Zantel*."

The following table contains summary financial information for our investments held in associates as of December 31, 2014, 2015 and 2016:

	As of and for December 31,		
	2014	2015	2016
	(U.S. dollars in millions)		
Revenue	320	237	463
Operating expenses	(343)	(420)	(329)
Operating profit (loss)	(23)	(183)	(172)
Net profit (loss) for the year	**(143)**	**(143)**	**(257)**
Millicom's share of results from associates	(34)	(47)	(49)

Kinnevik

MIC S.A.'s principal shareholder is Kinnevik AB, a Swedish holding company with interests in seven comprehensive business sectors: Telecom and Services, Online, Media, Microfinancing, Paper and Packaging, Agriculture and Renewable Energy. Since 2010, Kinnevik AB has not purchased any MIC S.A. shares.

During 2015 and 2016 and the six months ended June 30, 2017, we purchased services from Kinnevik AB's subsidiaries, including fraud detection, procurement, rental fees and professional services, for an aggregate amount of $3 million, $7 million and $1 million, respectively.

Subsidiaries of MIC S.A.

Certain of our operating companies, including our operations in Bolivia, Costa Rica, El Salvador, Honduras and Tanzania, have entered into support services agreements with MIC S.A. under which the Millicom Group provides the operating companies with financing and certain technical and management services, such as business support services (including human resources support and legal, IT and marketing services), and advisory services related to the construction, installation, operation, management and maintenance of their networks. The operating companies pay a fee under these agreements derived from MIC S.A.'s cost of providing the services and should be on terms that could be obtained from independent third parties.

Under trademark license agreements, our operations in Bolivia, Costa Rica, El Salvador, Ghana, Honduras and Tanzania owe a trademark license fee to use the Tigo trademark and/or Millicom name. These licenses are non-transferable and continue for an indefinite period unless terminated pursuant to the terms of the agreement.

Tower Companies

We sold and leased-back towers to tower management companies in Colombia, DRC, Ghana and Tanzania and held equity interests in these companies, which we have now sold. We exchanged equity interests in tower companies in Ghana, DRC and Tanzania for shares in Helios Towers Africa and now own 22.8% of the shares in Helios Towers Africa. See "*Our Business—Our Services and Market Position—Tower Infrastructure*."

Miffin Associates Corp

The Millicom Group purchases products and services from Miffin Associates Corp, a 45% shareholder in Comcel (the Guatemala joint venture) and its controlled entities. These transactions are recurring commercial operations, such as purchase and sale of handsets and sale of airtime, and are made on an arms-length basis.

Tower asset leases to UNE

Colombia Móvil leased a portion of its tower assets to UNE under finance leases. Since UNE became a subsidiary of the Millicom Group in August 2014, these leases have been eliminated on consolidation.

Management

Board of directors

MIC S.A.'s directors are as follows:

Name	Position	Year first elected	Age
Mr. Tom Boardman[1][2]	Chairman	2016	67
Mr. Odilon Almeida	Member	2015	56
Ms. Janet Davidson	Member	2016	60
Mr. Alejandro Santo Domingo	Member	2013	40
Mr. Simon Duffy	Member	2016	67
Mr. Tomas Eliasson	Member	2014	54
Mr. Anders Jensen[2]	Member	2017	48
Mr. José Antonio Ríos García	Member	2017	72
Mr. Roger Solé Rafols	Member	2017	43

(1) Appointed as Chairman on May 2016.

(2) Not independent from major shareholders (Kinnevik AB).

Mr. Tom Boardman, Chairman, Non-executive Director, Member of the Compensation Committee, the Audit Committee and the Compliance and Business Conduct Committee. Mr. Boardman has been chairman of the board of Kinnevik AB since May 2016 and a non-executive director since 2011. Mr. Boardman held various managerial positions within the South African mining and retailing industries during his career, including managerial positions within the Bank of England and chief executive of Nedbank Group. Mr. Boardman is also chairman of the boards of Jumo World, Athena Capital and Nedbank Private Wealth International and a non-executive director of Ubuntu-Botho Investments, Woolworths Holdings, Royal Bafokeng Holdings, and a number of other companies and foundations worldwide. Mr. Boardman holds a Bachelor of Commerce Degree and CTA from the University of Witwatersrand in South Africa.

Mr. Odilon Almeida, Non-executive Director, Chairman of the Compliance and Business Conduct Committee. Mr. Almeida is the president of Western Union Global Money Transfer. Mr. Almeida was the president of Americas and European Union at Western Union Corporation until 2016. He has a 30-year career in global financial, fintech, telecom and fast moving consumer goods sectors. Mr. Almeida is a member of the board of Western Union. Mr. Almeida holds a Bachelor of Civil Engineering Degree from the Maua Engineering School in Brazil, in Business Administration from the University of Brazil and an MBA with specialization in Marketing from the Getulio Vargas Foundation in Brazil.

Ms. Janet Davidson, Non-executive Director, Member of the Compliance and Business Conduct Committee. Ms. Davidson has been a member of the supervisory board and the audit committee and strategic committee of STMicroelectronics since May 2013. Ms. Davidson held various managerial positions in Alcatel Lucent until 2011, including chief strategy officer, chief compliance officer and executive vice president for quality and customer care. Ms. Davidson also serves as a member of the advisory board of Digital Reef, Inc. Ms. Davidson holds a Bachelor of Arts Degree from Lehigh University, a Master of Science Degree in Electrical Engineering from Georgia Tech and a Master of Science in Computer Science through Bell Laboratories.

Mr. Alejandro Santo Domingo, Non-executive Director. Mr. Santo Domingo is a senior managing director of Quadrant Capital. He has been a director of Anheuser-Busch InBev since October 2016 when he joined from SAB Miller. Mr. Santo Domingo is also a director of Florida Crystals, Keuring Green Mountain, JDE (Jacobs Douwe Egberts), Caracol TV, Colombia's leading broadcaster, El Espectador, a leading Colombian Daily, and Cine Colombia, Colombia's leading film distribution and movie theater company and is chairman of the boards of Bavaria S.A., Valorem and Backus & Johnston. Mr. Santo Domingo is also member of the boards of a number of non-profit associations and foundations. Mr. Santo Domingo holds a Bachelor of Arts Degree from Harvard University.

Mr. Simon Duffy, Non-executive Director, Member of the Audit Committee. Mr. Duffy is the non-executive chairman of YouView TV and a non-executive director of Modern Times Group AB, Oger Telecom Limited, Wizz Air Holdings Plc and Sybic Limited, UK. Mr. Duffy was non-executive chairman of Mblox Inc and Sybic Advisory Limited until 2015, and executive chairman of Tradus until the company's sale in March 2008. He was also the Executive Vice Chairman of ntl:Telewest until 2007, having joined NTL Incorporated in 2003 as chief executive officer. He also served as chief financial officer of Orange, chief executive officer of wireless data specialist End2End, chief executive officer and deputy chairman of WorldOnline International, and held senior positions at EMI Group and Guinness. Mr. Duffy holds a Philosophy, Politics and Economics Degree from Oxford University and a Master of Business Administration from Harvard University.

Mr. Tomas Eliasson, Non-executive Director and Chairman of the Audit Committee. Mr. Eliasson has been chief financial officer of Sandvik since April 2016. From 2012 to 2016, Mr. Eliasson was the chief financial officer and senior vice-president of Electrolux; from 2006 to 2012, chief financial officer of Assa Abloy AB and from 2002 to 2006, chief financial officer of Seco Tools AB. Mr. Eliasson holds a Bachelor of Science Degree in Business Administration and Economics from the University of Uppsala in Sweden.

Mr. Anders Jensen, Non-executive Director, Member of the Compensation Committee. Mr. Jensen is the executive vice president, chief executive officer Sweden and chairman of Nordic Entertainment at Modern Times Group MTG. Mr. Jensen was non-executive director and director of Sports Master A/S Copenhagen, Denmark from 2012 to 2015 and head of consumer and group chief marketing officer at Danish telecommunications company TDC Group from 2011 to 2013. Between 2005 and 2010, Mr. Jensen held various leadership positions in the Telenor Group, including chief executive officer of Telenor Hungary, chief executive officer of Grameenphone in Bangladesh, and chief marketing officer and head of consumer at Telenor Sweden.

Mr. José Antonio Ríos García, Non-executive Director, Chairman of the Compensation Committee. Mr. Ríos has been the chairman and chief executive officer of Celistics Holdings since 2012. Prior to joining Celistics, Mr. Ríos was the international president of Global Crossing. Between 1999 and 2001, Mr. Ríos served as a member of the global management committee of Telefónica and president and chief executive officer of Telefónica Media, and, prior to joining Telefónica, Mr. Ríos served as the vice president of Hughes Electronics Corporation, was the founding president and chief executive officer of Galaxy Latin America (DirecTV Latin America), and served as chief operating officer and corporate vice president of the Cisneros Group of Companies for 14 years. Mr. Ríos holds an Industrial Engineering Degree from the Universidad Católica Andrés Bello in Venezuela.

Roger Solé Rafols, Non-executive Director. Mr. Solé is the chief marketing officer and executive director of Sprint Corporation since 2016 and previously was senior vice president for the Hispanic market and of Innovation at Sprint from May to December 2015. Prior to joining Sprint, Mr. Solé spent four years at TIM Brasil (owned by Telecom Italia) as chief marketing officer and executive director. Between 2002 and 2008, Mr. Solé served as managing director of Internet and value added services and marketing director of Vivo, Telefónica's and Portugal Telecom's Brazilian joint venture. Mr. Solé was also a management consultant focusing on the communications and Internet sectors at DiamondCluster (now part of Oliver Wyman), mainly involved in mobile start-ups and turnarounds in Europe and Latin America. Mr. Solé holds a Bachelor of Arts Degree and Masters of Business Administration from ESADE Business and Law School in Spain.

Board practices

MIC S.A.'s board of directors has developed, and continuously evaluates, work procedures in line with the corporate governance rules of the Swedish Code applicable to listed companies to which it is subject.

MIC S.A.'s board of directors divides work between the board, the Chairman and the Chief Executive Officer. The Chairman has discussions with each director regarding the work

procedures and the evaluation of MIC S.A.'s board of directors' work. The other members of MIC S.A.'s board of directors evaluate the performance of the Chairman each year. MIC S.A.'s board of directors also evaluates the performance of the Chief Executive Officer annually. The main task of MIC S.A.'s board of directors and its committees (Audit, Compensation, Nomination, and Compliance and Business Conduct) is to work on behalf of MIC S.A.'s board of directors within their respective areas of responsibility.

The Nomination Committee, appointed by MIC S.A.'s major shareholders, is responsible for preparing proposals for the election and remuneration of MIC S.A.'s directors, Chairman and external auditor, as well as a proposal on the Annual General Meeting Chairman. The Nomination Committee's charter is based on the requirements of the Swedish Code of Corporate Governance and consists of four members, with a majority representing MIC S.A.'s larger shareholders. The current Nomination Committee was formed, in consultation with MIC S.A.'s larger shareholders, on September 6, 2017, in accordance with a resolution adopted at MIC S.A.'s 2017 Annual General Meeting. The Nomination Committee is comprised of Tom Boardman, as Chairman of the Board of Directors of MIC S.A., Cristina Stenbeck, on behalf of Kinnevik AB, John Hernander, on behalf of Nordea Investment Funds, and Scott Cobb, on behalf of Southeastern Asset Management. The members of the Nomination Committee will appoint a Committee Chairman at their first meeting.

MIC S.A.'s board of directors has adopted a set of corporate policies (the "Corporate Policies") which constitute the Millicom Group's central reference for all matters relating to its corporate governance policy. Regional policies that are tailored to the specified region or more detailed than those set out in the Corporate Policies are adopted as necessary. The Millicom Group's Code of Conduct is a part of the Corporate Policies. All directors, officers and employees must sign a statement acknowledging that they have read, understood and will comply with the Code of Conduct. Furthermore, all of our directors, officers and employees must complete annual training on the Code of Conduct.

The work conducted by of MIC S.A.'s board of directors is divided between the board and its principal committees:

- the Audit Committee;
- the Compensation Committee;
- the Compliance and Business Conduct Committee; and
- the Nomination Committee.

Directors' Service Agreements

None of MIC S.A.'s current directors have entered into service agreements with the Millicom Group or any of its subsidiaries providing for benefits upon termination of their respective directorships.

Remuneration of directors

Remuneration amounts for the members of MIC S.A.'s board of directors are set each year during the Annual General Meeting of our shareholders. Remuneration consists of both fee-based compensation and share options. In addition to the base level remuneration available to each of the directors on MIC S.A.'s board of directors, additional fees and/or shares are payable to the Chairman of the board of directors, and members of each of the board of directors' committees. for services provided from May 2017 to May 2018, based on an exchange rate of SEK 8.689 to the dollar, the total fee-based compensation paid in advance to the directors was $630,107, and the total share-based compensation was valued at $492,001. Director remuneration is proposed by the Nomination Committee and approved annually by the shareholders.

Total director remuneration, including remuneration paid to the Chairman, in 2014, 2015 and 2016 was $1,198,000, $1,058,000 and $1,143,000, respectively. Remuneration paid to the

Chairman in 2014, 2015 and 2016 was $215,000, $180,000 and $243,000, respectively. Remuneration figures include cash and share-based compensation.

The number of shares and share options beneficially owned by the members of MIC S.A.'s board of directors as of December 31, 2016 was 27,316.

Senior management and employees

Our senior management are as follows:

Name	Position	Age
Mauricio Ramos	Chief Executive Officer	48
Tim Pennington	Chief Financial Officer	56
Rodrigo Diehl	Executive Vice President, Chief Strategy Officer	42
Rachel Samrén	Executive Vice President, Chief External Affairs Officer	42
Xavier Rocoplan	Executive Vice President, Chief Technology and Information Officer	43
Salvador Escalon	Executive Vice President, General Counsel, Interim EVP Chief Human Resources Officer	42
Mohamed Dabbour	Executive Vice President, Africa	40
Esteban Iriarte	Executive Vice President, Chief Operating Officer, Latin America	45
HL Rogers	Executive Vice President, Chief Ethics and Compliance Officer	40

Mauricio Ramos, Chief Executive Officer. Mr. Ramos joined us in April 2015 as our Chief Executive Officer. Mr. Ramos previously served as president of Liberty Global, Latin American division, a position he held from 2005 until February 2015. Mr. Ramos held several leadership positions at Liberty Global, including serving as chairman and chief executive officer of VTR in Chile and executive chairman of Liberty's Puerto Rico division and was member of the boards of directors of Biennal of the Americas from 2012 to 2015 and Columbus Networks, Caribbean from 2013 to 2014. Mr. Ramos is also chairman of TEPAL and a member of the board of directors of Charter Communications and GSMA. He holds a Bachelor's Degree in Economics and Law, and a Postgraduate Degree in Financial and Securities Law from the Universidad de Los Andes in Colombia.

Tim Pennington, Chief Financial Officer. Mr. Pennington joined us in June 2014 as our Chief Financial Officer. He was previously the chief financial officer at Cable and Wireless Communications plc, group finance director for Cable and Wireless plc from 2008 to 2014 and, prior to that, chief financial officer of Hutchison Telecommunications International Ltd. Mr. Pennington was also finance director of Hutchison 3G (UK), Hutchison Whampoa's British mobile business. He also has corporate finance experience, firstly as a director in the specialized financing department at Samuel Montagu & Co. Limited, and then as a managing director of HSBC Investment Bank within its corporate finance and advisory department. Mr. Pennington holds a Bachelor of Arts (Honors) degree in Economics and Social Studies from the University of Manchester in England.

Rodrigo Diehl, Executive Vice President, Chief Strategy Officer. Mr. Diehl joined us in September 2016 as Executive Vice President, Chief Strategy Officer. From 2003 until 2016, Mr. Diehl was a partner at McKinsey & Co. both in Germany and Brazil. He also previously worked as a senior analyst and planning manager at Techint Group. Mr. Diehl holds a Business Administration Degree from the University of Buenos Aires and a Masters in Business Administration from Harvard Business School.

Rachel Samrén, Executive Vice President, Chief External Affairs Officer. Ms. Samrén joined us in July 2014 as Executive Vice President of Strategic Operations & Partnerships and was appointed Executive Vice President of External Affairs in February 2015. Ms. Samrén currently serves as chairman of the board of directors of Reach for Change. Ms. Samrén was head of business

intelligence at Risk Advisory Group plc. Ms. Samrén holds a Bachelor's of Science in International Relations from the London School of Economics and Political Science in England and a Masters of Literature in International Security Studies from the University of St Andrews in Scotland.

Mohamed Dabbour, *Executive Vice President Africa*. Mr. Dabbour joined us in 2008 and in February 2017, became Executive Vice President Africa. Mr. Dabbour has held a variety of roles in our African operations, including chief financial officer for our Africa region from 2015 to 2017, financial planning and analysis manager for our Africa region from 2014 to 2015, chief financial officer in Ghana from 2011 to 2014 and chief financial officer in Chad from 2009 to 2011. Prior to joining the Millicom Group, Mr. Dabbour worked for BESIX, Belgium's largest construction company. Mr. Dabbour holds an Executive Masters in Business Administration from the London Business School.

Salvador Escalón, Executive Vice President General Counsel, Chief Human Resources Officer (interim). Mr. Escalón was appointed as our General Counsel in March 2013 and became Executive Vice President in July 2015. On an interim basis, he also leads our human resources team. He first joined us as Associate General Counsel of Latin America in April 2010. From January 2006 to March 2010, Mr. Escalón was senior counsel at Chevron Corporation and previously he was in private practice at the law firms of Skadden, Arps, Slate, Meagher & Flom LLP, Morgan, Lewis & Bockius LLP and Akerman LLP. Mr. Escalón has a Juris Doctorate from Columbia Law School and a Bachelors of Business Administration in Finance and International Business from Florida International University.

Esteban Cristian Iriarte, Executive Vice President, Chief Operating Officer. Mr. Iriarte joined us in 2008. He was previously chief executive officer at UNE Colombia from 2014 to 2016. From 2012 to 2014, Mr. Iriarte was chief executive officer of Colombia Móvil and from 2009 to 2011, he was chief executive officer of Amnet. In 2016, Mr. Iriarte was appointed as Director of SURA, a Colombian multinational investment company. Mr. Iriarte holds a degree in Business Administration from the Pontificia Universidad Católica Argentina and a Master's in Business Administration from the Universidad Austral in Buenos Aires in Argentina.

Xavier Rocoplan, Executive Vice President, Chief Technology and Information Officer. Mr. Rocoplan has been our Chief Technology and Information Officer since December 2015. Mr. Rocoplan was previously our chief global networks officer. Mr. Rocoplan first joined us in 2000 as chief technology officer in Vietnam and then became chief technology officer for the South East Asian cluster (Cambodia, Laos and Vietnam). In 2004, he was appointed chief executive officer of Paktel in Pakistan, a role he held until 2007. During this time, he launched Paktel's GSM operations and led the divestiture of the business in 2007. Mr. Rocoplan holds master's degrees from Ecole Nationale Supérieure des Télécommunications de Paris in France and from Université Paris IX Dauphine in France.

HL Rogers, Executive Vice President, Chief Ethics and Compliance Officer. Mr. Rogers joined us in August 2016 as Chief Ethics and Compliance Officer. Mr. Rogers was a partner at Sidley Austin LLP until 2016. Mr. Rogers holds a Juris Doctorate from Harvard Law School and a Bachelors of Arts Degree in English from Brigham Young University.

Remuneration of Officers

Remuneration of MIC S.A.'s officers consists of an annual base salary, an annual bonus, share-based compensation, social security contributions, pension contributions and other benefits. The bonus and share-based compensation plans are based on actual performance (including individual and company performance). Share-based compensation is granted once a year by the Compensation Committee. The annual base salary and other benefits of the Chief Executive Officer and the Executive Vice Presidents are proposed by the Compensation Committee and approved by MIC S.A.'s board of directors.

Employees

The number of our permanent employees as of December 31, 2016 was 17,985, including 15,963 employees in Latin America.

Share-based incentive plans

2017

Share-based incentive awards for Senior Executives for 2017 (the "2017 Share Awards") were approved by MIC S.A.'s board of directors on February 3, 2017. The 2017 Share Awards consist of a deferred short term incentive share plan and a performance share plan. No 2017 Share Awards have yet been granted.

Shares granted in 2017 under the deferred short term incentive share plan are based on personal and corporate performance for the previous year and vest 16.5% on each of January 1, 2018 and January 1, 2019 and the remaining 67% vests on January 1, 2020.

For performance share plans, the value for 50% of the shares that vest for a given individual are determined by the Free Cash Flow achievement of the company measured over three stand-alone one year performance periods, financial years 2017, 2018 and 2019. For each of these years, the Compensation Committee assesses achievement on a percentage basis against the respective budgeted values. The three year's Free Cash Flow percentage achievements are averaged and the extent to which performance share awards vest is determined by such average against certain budgeted values. The value of 25% of the shares that vest for a given individual are determined by the company's relative total shareholder return compounded annually over the three year period and the remaining 25% of the shares that vest for a given individual are determined by the company's positive total shareholder return compounded annually over the three year period. These shares will be paid out in the first quarter of 2020.

2016

Long term incentive awards for senior executives for 2016 (the "2016 LTIPs") were approved by MIC S.A.'s board of directors on May 17, 2016. The 2016 LTIPs consist of a deferred share plan and a performance share plan. Our Chief Executive Officer is also eligible to participate in the 2016 deferred share plan, leading to a first possible award in 2017 for the 2016 performance year.

Shares granted in 2016 under the deferred share plan are based on personal and corporate performance of the previous year and vest 16.5% on each of January 1, 2017 and January 1, 2018 and the remaining 67% vests on January 1, 2019.

For performance share plans, the value for 50% of the shares that vest for a given individual are determined by the Free Cash Flow achievement of the company over a three year period, financial years 2016, 2017 and 2018. The value of 25% of the shares that vest for a given individual are determined by the company's relative total shareholder return compounded annually over the three year period and the remaining 25% of the shares that vest for a given individual are determined by the company's positive total shareholder return compounded annually over the three year period. These shares will be paid out in the first quarter of 2019.

2015

Long term incentive awards for senior executives for 2015 ("2015 LTIPs") were approved by MIC S.A.'s board of directors on May 15, 2015. The 2015 LTIPs consist of a deferred share plan, a performance share plan, a sign-on share plan for the Chief Executive Officer and an executive share plan.

Shares granted in 2015 under the deferred share plan are based on personal and corporate performance of the previous year and vest 16.5% on each of January 1, 2016 and January 1, 2017 and the remaining 67% vests on January 1, 2018.

For performance share plans, the value for 37.5% of the shares that vest for a given individual are determined by the Free Cash Flow achievement of the company over a three year period, financial years 2015, 2016 and 2017. The remaining 62.5% of the shares that vest for a given individual are determined by the company's total shareholder return compounded annually over the three year period. These shares will be paid out in the first quarter of 2018.

Our current Chief Executive Officer also received a sign-on bonus of 77,345 shares, of which one third vests on each of January 1, 2016, January 1, 2017 and January 1, 2018.

For shares granted under the executive share plan (for which only our Chief Executive Officer and Chief Financial Officer are eligible), the value for 37.5% of the shares that vest for a given individual are determined by the Free Cash Flow achievement of the company over a three year period, financial years 2015, 2016 and 2017. The remaining 62.5% of the shares that vest for a given individual are determined by the company's total shareholder return compounded annually over the three year period. These shares will be paid out in the first quarter of 2018.

2014

Long term incentive awards for senior executives for 2014 ("2014 LTIPs") were approved by MIC S.A.'s board of directors on December 4, 2013. The 2014 LTIPs consist of a deferred share plan and a performance share plan.

Shares granted under the deferred share plan are based on personal and corporate performance of the previous year and vest 16.5% on each of January 1, 2015 and January 1, 2016 and the remaining 67% vests on January 1, 2017.

For performance share plans, the value for 50% of the shares that vest for a given individual are determined by return on invested capital. The remaining 50% of the shares that vest for a given individual are determined by earnings per share. These shares were paid out in the first quarter of 2017.

Vesting of share awards

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

	2016 Plans		2015 Plans				2014 Plans	
	Performance plan	Deferred plan	Performance plan	Executive plan	CEO plan	Deferred plan	Future plan	Deferred plan
Initial shares granted	200,617	285,978	98,137	40,664	77,344	237,620	164,015	219,767
Additional shares granted(*)	–	1,338	–	–	–	–	–	1,306
Total shares granted	**200,617**	**287,316**	**98,137**	**40,664**	**77,344**	**237,620**	**164,015**	**221,073**
Revision for forfeitures	(10,331)	(26,222)	(26,826)			(51,129)	(124,603)	(79,702)
Total before issuances	**190,286**	**261,094**	**71,311**	**40,664**	**77,344**	**186,491**	**39,412**	**141,371**
Shares issued in 2014	–	–	–	–	–	–	–	(32,555)
Shares issued in 2015	–	–	–	–	–	–	–	
Shares issued in 2016	(1,214)	(1,733)	(771)		(25,781)	(38,745)	–	(25,508)
Performance conditions	–	–	–	–	–	–	–	–
Shares still expected to vest	**189,072**	**259,361**	**70,540**	**40,664**	**51,563**	**147,746**	**34,412**	**83,308**
Estimated cost over the vesting period (US$ millions)	8	16	4	2	6	15	5	16

(*) Additional shares granted including consideration for the impact of the special dividends paid in 2012 (see note 12 of the Millicom Group's annual consolidated financial statements), and vest at the end of the performance and deferred share plans.

Defined benefit plans

Our Colombian subsidiary, UNE, has several employee defined benefit plans. The level of benefits provided under these plans depends on collective employment agreements and Colombian labor regulations. There are no defined assets related to the plans, and UNE makes payments to settle obligations under the plans out of available cash balances. As of December 31, 2015 and December 31, 2016, the defined benefit plan obligations were $37 million, and payments expected to be made pursuant to the plans in future years were $86 million. The average duration of a defined benefit plan obligation as of December 31, 2016 was seven years, as compared to eight years as of December 31, 2015. The termination plans apply to employees that joined UNE prior to December 30, 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

In addition to the UNE defined benefit plans, we offer three different types of pension plans to employees at our headquarters: Swiss Life, the London Pension Plan, and the Luxembourg Pension Plan. Swiss Life is only available to members of our Executive Committee and Global Senior Managers that are located in Luxembourg, the United States, and a number of other operational countries. As of June 30, 2017, there were eight active participants in Swiss Life located in Luxembourg with plan obligations of $1.3 million and 39 active participants in Swiss Life located in the United States and other operational countries with plan obligations of $6.7 million. Employees are automatically enrolled in the London Pension Plan and must actively opt out of such plan. The amount of company and employee contributions made annually under the London Pension Plan are dependent upon the employees' level within the company. As of June 30, 2017, there were 44 active participants in the London Pension Plan with plan obligations of $1.2 million. The Luxembourg Pension Plan is mandatory for all employees located in Luxembourg and requires compulsory contributions to state funds for old age and invalidity pensions.

Description of other indebtedness

The following summary of certain provisions of our indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Overview

We finance our operations centrally at the MIC S.A. level or alternatively, where we deem it more cost effective to do so, at the operational level. We refer to the group's total gross debt on a consolidated basis (without the Guatemala and Honduras joint ventures) as our "gross debt," and the group's total gross debt, including 100% of the Guatemala and Honduras joint ventures' debt and excluding our discontinued operations in DRC and Senegal, as our "gross debt (underlying)." For a presentation of our gross debt and gross debt (underlying), see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

Our total gross debt and gross debt (underlying) as of June 30, 2017 was $4,210 million and $5,599 million, respectively, and $3,901 million and $5,276 million, respectively, as of December 31, 2016. Our net debt and net debt (underlying), excluding restricted cash (which represents the total debt after deducting cash, cash equivalents, and pledged deposits) was $3,484 million and $4,555 million, respectively, as of June 30, 2017 and $3,250 million and $4,333 million, respectively, as of December 31, 2016. Our interest expense and interest expense (underlying) was $207 million and $258 million, respectively, as of June 30, 2017 and $394 million and $497 million, respectively, as of December 31, 2016. As of June 30, 2017, the amount of our debt guaranteed by MIC S.A. was $667 million, including $250 million of indebtedness incurred by the Honduras joint venture.

As of June 30, 2017, 58% of our gross debt and 68% of our gross debt (underlying) was at the operational level, and 35% and 33%, respectively, of this debt held at operational level was denominated in local currency. If the 4.75% Notes had been redeemed in full on June 30, 2017, we would have had 40% and 36%, respectively, of gross debt and gross debt (underlying) in local currency. We target 40% of group gross debt (underlying) in local currency over the medium term in order to align as much as is feasible the currency of our assets and liabilities (considering the availability of local currency funding in our respective geographies). Subject to market conditions, we are considering additional financings or bond offerings during 2017 and 2018 to increase our debt profile in Colombian peso or in the local currencies of other markets in which we operate. Subject to market conditions, an up to $200 million-equivalent Colombian peso benchmark offering of up to 7 years will also be considered.

The agreements under which we borrow funds contain a number of different covenants that impose operating and financial restrictions on us. Some of these covenants relate to our financial performance, such as the level of earnings, debt, assets and shareholders' equity. Other covenants limit, and in some cases prohibit, us from, among other things, incurring additional indebtedness, creating liens on assets, entering into business combinations or engaging in certain activities with companies within our group. A failure to comply with these covenants would constitute a default under the relevant agreements and could trigger cross payment default or cross acceleration provisions under these agreements. In the event of such a default, the debtor's obligations under one or more of these agreements could, under certain circumstances, become immediately due and payable, which could have a material adverse effect on our business, our liquidity and our equity.

Indebtedness by operation

The Millicom Group's share of total other debt and financing, excluding indebtedness to, or for the benefit of, other members of the Millicom Group (without adjustment for subsequent events after June 30, 2017), analyzed by operation is as follows:

	As of December 31, 2016	As of June 30, 2017
	(U.S. dollars in millions)	
MIC S.A.	1,747	1,772
Africa:		
Chad	76	69
Ghana	54	54
Rwanda	80	80
Senegal	14	–
Tanzania	93	99
Tanzania (Zantel)	99	99
Latin America:		
Bolivia	306	278
Costa Rica	92	85
Colombia	841	1,134
El Salvador	89	138
Paraguay	408	402
Total gross debt[1]	**3,901**	**4,210**
Guatemala	988	994
Honduras	402	395
Senegal	(14)	–
Total gross debt (underlying)[2]	**5,276**	**5,599**
of which due within 1 year:	***80***	***453***
Guatemala	–	–
Honduras	*63*	*84*

(1) Gross debt refers to our total debt and financing (without the Guatemala and Honduras joint ventures).

(2) Gross debt (underlying) refers to our total debt and financing including 100% of the Guatemala and Honduras joint ventures and excluding our Senegal operations.

MIC S.A.

Revolving Credit Facility

In January 2017, MIC S.A. entered into a $600 million revolving credit facility agreement with a consortium of banks (the Revolving Credit Facility), including each Initial Purchaser. The Revolving Credit Facility matures on 27 January 2022.

Amounts drawn under the Revolving Credit Facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the Revolving Credit Facility agreement.

Interest on amounts drawn under the Revolving Credit Facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%, provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the last twelve months is within a specified range.

Loans outstanding under the Revolving Credit Facility may be declared immediately repayable if, among other things, MIC S.A. is not the surviving entity in a merger or upon the occurrence of a change of control of MIC S.A. or if an event of default (other than a payment default) occurs with respect to other indebtedness and the amount of the affected indebtedness, together with any indebtedness that is the subject of a payment default or the due date of which is accelerated following any other event of default, is equal to or greater than $50 million. In addition, the due date of all loans outstanding under the Revolving Credit Facility may be accelerated upon the occurrence of an event of default under the Revolving Credit Facility Agreement.

MIC S.A. is required to retain, at all times (i) a net leverage ratio below 3.0x, tested on a pro forma basis to include all applicable financial indebtedness and calculated as if such financial indebtedness had been outstanding at the beginning of the period consisting of the four full fiscal quarters prior to the relevant incurrence date and (ii) an interest coverage ratio of at least 4.0x, tested quarterly. The Revolving Credit Facility agreement includes additional covenants which, among other things, restrict MIC S.A.'s ability to incur additional indebtedness, grant liens, dispose of assets and (if any amounts are outstanding under the facility) pay dividends while an event of default is continuing.

As of June 30, 2017, the Revolving Credit Facility was undrawn.

Term Loan Facility

MIC S.A. entered into a $50 million term loan facility agreement (the MIC S.A. Term Loan) on July 21, 2016, with DNB Bank ASA and Nordea Bank. Interest on amounts drawn under the MIC S.A. Term Loan is payable at LIBOR + 2.25%. Amounts drawn under the facility may be used for general corporate and working capital purposes.

MIC S.A. is required to retain, at all times (i) a net leverage ratio below 3.0x, tested on a pro forma basis to include all applicable financial indebtedness and calculated as if such financial indebtedness had been outstanding at the beginning of the period consisting of the four full fiscal quarters prior to the relevant incurrence date and (ii) an interest coverage ratio of at least 4.0x, tested quarterly. The MIC S.A. Term Loan agreement includes additional covenants which, among other things, restrict MIC S.A.'s ability to incur additional indebtedness, grant liens, dispose of assets and (if any amounts are outstanding under the facility) pay dividends while an event of default is continuing.

As of June 30, 2017, $50 million was outstanding under MIC S.A. Term Loan facility.

6.0% Notes

On March 17, 2015, MIC S.A. issued a $500 million, ten-year bond with an interest rate of 6% at an issue price of 100% (the 6.0% Notes). The 6.0% Notes are listed on the Luxembourg Stock Exchange.

If MIC S.A. were to undergo certain events constituting a change of control and an accompanying ratings decline of at least one gradation, MIC S.A. will be required to make an offer to repurchase all outstanding 6.0% Notes at 101% of their principal amount plus accrued and interest.

Prior to March 15, 2020, MIC S.A. may redeem all or a portion of the 6.0% Notes at a purchase price equal to 100% of the principal amount plus the applicable premium and all accrued but unpaid interest. On or after March 15, 2020, MIC S.A. may redeem all or a portion of the 6.0% Notes at specified redemption prices plus accrued unpaid interest.

Prior to March 15, 2018, MIC S.A. may redeem up to 40% of the 6.0% Notes with the net proceeds of certain equity offerings or the sale of certain specified assets at a redemption price equal to 106% of the principal amount of the Notes plus accrued but unpaid interest.

During any 12-month period until March 15, 2020, MIC S.A. may redeem up to 10% of the aggregate principal amount of the 6.0% Notes on an annual basis at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest.

Upon the occurrence of certain changes in applicable tax law, MIC S.A. may redeem all of the 6.0% Notes at a price equal to the principal amount plus accrued and unpaid interest.

MIC S.A. may not incur new debt unless the net leverage ratio is below 3.0x, tested on a pro forma basis to include such new financial indebtedness and calculated as if such new financial indebtedness had been outstanding at the beginning of the period consisting of the four full

fiscal quarters prior to the incurrence date. New debt includes the issuance of any subsequent notes and guarantees for the indebtedness of other companies within the Millicom Group, but does not include certain on-lending arrangements for the downstreaming of the proceeds of the 6.0% Notes and certain other permitted debt obligations of the Millicom Group.

6.625% Notes

On October 16, 2013, MIC S.A. issued an $800 million, eight-year bond with an interest rate of 6.625% at an issue price of 100% (the 6.625% Notes). The 6.625% Notes are listed on the Luxembourg Stock Exchange. MIC S.A. repurchased $142 million in principal amount of the 6.625% Notes in a tender offer in December, 2016, leaving $658.5 million in principal amount outstanding. MIC S.A. intends to repurchase or redeem the remaining 6.625% Notes with the proceeds of this Offering through the Tender Offer and the Redemption.

If MIC S.A. were to undergo certain events constituting a change of control and an accompanying ratings decline of at least one gradation, MIC S.A. may be required to make an offer to repurchase all outstanding 6.625% Notes at 101% of their principal amount plus all accrued and unpaid interest.

Prior to October 15, 2017, MIC S.A. may redeem all or a portion of the 6.625% Notes at a purchase price equal to 100% of the principal amount plus the applicable premium and all accrued but unpaid interest. On or after October 15, 2017, MIC S.A. may redeem all or a portion of the 6.625% Notes at specified redemption prices plus accrued and unpaid interest.

Prior to October 15, 2016, MIC S.A. may redeem up to 35% of the 6.625% Notes with the proceeds of certain equity offerings or the sale of certain specified subsidiaries at a redemption price equal to 106.625% of the principal amount of the Notes redeemed, plus accrued and unpaid interest if at least 65% of the originally issued aggregate principal amount of the 6.625% Notes remains outstanding.

MIC S.A. may not incur new debt unless the net leverage ratio is below 2.5x, tested on a pro forma basis to include such new financial indebtedness and calculated as if such new financial indebtedness had been outstanding at the beginning of the period consisting of the four full fiscal quarters prior to the incurrence date. New debt includes the issuance of any subsequent notes and guarantees for the indebtedness of other companies within the Millicom Group, but does not include certain on-lending arrangements for the downstreaming of the proceeds of the 6.625% Notes and certain other permitted debt obligations of the Millicom Group.

4.75% Notes

On May 22, 2013, MIC S.A. issued a $500 million, seven-year bond with an interest rate of 4.75% at an issue price of 99.266% (the 4.75% Notes). The 4.75% Notes were listed on the Luxembourg Stock Exchange. The 4.75% Notes were called in full on June 30, 2017 and redeemed on August 1, 2017. The call notice being irrevocable, all costs related to the issuance of the 4.75% Notes and the premium paid to bondholders upon redemption were booked in the second quarter of 2017. The debt maturity was reclassified as short term as of June 30, 2017.

SEK Bonds

On April 21, 2016, MIC S.A. issued a SEK 2 billion (approximately $251 million) three-year bond (the SEK Bonds) with a floating rate coupon of three month STIBOR + 3.3%. MIC S.A. swapped its SEK exposure for U.S. dollars at an average rate of 6.67 (see *"—Foreign Currency Forward Contracts*"). The SEK Bonds are listed on Nasdaq Stockholm and are unsecured and unsubordinated obligations of MIC S.A.

If MIC S.A. experiences a "Change of Control Event," defined as an event resulting in anyone other than the Kinnevik group acquiring or otherwise establishing control over 50% of MIC S.A.'s shares and/or votes, or if MIC S.A.'s shares cease to be listed on a regulated market, each holder

of the SEK Bonds will have the right to require repurchase of its SEK Bonds at 101% of their nominal amount plus accrued and unpaid interest.

MIC S.A. may redeem the SEK Bonds in full on or after the first call date (April 17, 2018), at 101.45% of the nominal amount plus accrued and unpaid interest.

MIC S.A. may not incur any new financial indebtedness unless the net leverage ratio is below 3.0x, tested on a pro forma basis to include such new financial indebtedness and calculated as if such new financial indebtedness had been outstanding at the beginning of the period consisting of the four full fiscal quarters prior to the incurrence date, other than certain other permitted debt obligations of the Millicom Group. New financial indebtedness includes the issuance of any subsequent notes and guarantees for the indebtedness of other companies within the Millicom Group, but does not include certain other permitted debt obligations of the Millicom Group.

Latin America

Bolivia

In May 2012, Telecel Bolivia issued a BOB 1.36 billion (approximately $197 million) eight-year bond with a fixed coupon of 4.75% per annum (paid semi-annually) (the "Telecel I Bonds"). The effective interest rate is 4.79%. Telecel Bolivia applied the proceeds to repay indebtedness for capital expenditures. Telecel Bolivia may partially or fully redeem these notes prior to the final maturity date, at 100% of the principal amount, plus accrued and unpaid interest and the applicable premium. Telecel Bolivia is now required to retain at all times (i) a debt-to-equity ratio below 2.5x, (ii) a liquidity ratio above 1.1x and (iii) a debt service coverage ratio above 1,1x. Dividend payments are only permitted if no event of default would result therefrom, all required financial ratios are complied with and Telecel Bolivia has not lost a material license. As of June 30, 2017, BOB 597 million (approximately $86 million) was outstanding under this bond.-9

In November 2015, Telecel Bolivia issued a BOB 696 million (approximately $101 million) bond in two series, including a series A BOB 104.4 million (approximately $15 million) bond with a fixed coupon of 4.05% and a maturity date in August 2020, and a series B BOB 591.6 million (approximately $86 million) bond with a fixed coupon of 4.85% and a maturity date in August 2023 (together, the "Telecel II Bonds"). The effective interest rate is 4.55% per annum.

In November 2015, Telecel Bolivia entered into a $24 million loan agreement with Barclays Bank Plc with a $15.4 million floating rate facility and an $8.5 million fixed rate facility. Both facilities mature on 15 December 2022. Interest on amounts drawn under the floating rate facility is payable at LIBOR + 0.40% and interest on amounts drawn under the fixed rate facility is payable at 2.64%. As of June 30, 2017, $16 million was outstanding under these facilities.

In August 2016, Telecel Bolivia issued a BOB 522 million (approximately $76 million) bond in two tranches. Tranche A and B bear fixed interest at 3.95% and 4.30% per annum, respectively, and mature in June 2024 and June 2029, respectively.

Costa Rica

In March 2014, Amnet Cable Costa Rica S.A., entered into a $120 million syndicated loan agreement with Citibank N.A., Banistmo, S.A., Banco DaVivienda (Costa Rica), S.A., DNB Bank ASA, Nordea Bank and Scotiabank & Trust (Cayman) Ltd as lenders. Interest on amounts drawn under this facility is payable at LIBOR + 4.00% and the facility matures on March 26, 2021. As of June 30, 2017, $85 million was outstanding under the agreement.

Colombia

In May 2011, UNE issued a COP 300 billion (approximately $102 million) bond in five and twelve-year tranches. Tranche A bears interest at a variable rate based on the CPI and Tranche B bears

interest at a variable rate based on fixed term deposits. Tranche A matured in October 2016 and Tranche B will mature in October 2023.

In March 2010, UNE issued a COP 300 billion (approximately $102 million) bonds in five and ten-two tranches. Tranche A bears interest at a variable rate based on the CPI and Tranche B bears interest at a variable rate based on fixed term deposits. Tranche A matured in March 2015 and Tranche B will mature in March 2020.

In August 2015, UNE entered into a COP 600 billion (approximately $205 million) ten-year loan facility with Banco Bancolombia S.A. Interest on amounts drawn under this facility is payable at IBR + 6.6%. As of June 30, 2017, $198 million remained outstanding.

In September 2015, UNE entered into a COP 300 billion (approximately $102 million) ten-year loan facility with Banco Bilbao Vizcaya Argentaria Colombia S.A., Interest on amounts drawn under this facility is payable at IBR + 6.32%. As of June 30, 2017, $99 million remained outstanding.

In August 2015, UNE entered into a COP 300 billion (approximately $102 million) thirteen-year loan facility with Banco DaVivienda S.A. Interest on amounts drawn under this facility is payable at IBR + 6.32%. As of June 30, 2017, $98 million remained outstanding.

In May 2016, UNE issued a COP 540 billion bond (approximately $183 million) in three tranches Tranche A bears interest at 9.35%, Tranche B bears interest at a variable rate based on the CPI + 4.15% and Tranche C bears interest at a variable rate based on the CPI + 4.89%. Tranches A, B and C will mature in May 2024, May 2026 and May 2036, respectively.

As of June 30, 2017, Colombia Móvil had $276 million of other debt denominated in Colombian peso as well as finance lease payables of $165 million relating to leases of tower space from ATC Infraco S.A.S., which matures in 2023.

In June 2017, Colombia Móvil entered into a $300 million syndicated loan with seven Colombian banks, including Banco DaVivienda and Bancolombia. The facility bears interest at IBR +7.10% and matures in 2020. Dividend payments are prohibited under the agreement until the earlier of the merger or reorganization of Colombia Móvil and UNE, or three years from the date of the facility. As of June 30, 2017, $300 million was outstanding under the facility.

El Salvador

On April 15, 2016, Telemovil El Salvador, S.A. de C.V. entered into a $50 million senior unsecured term loan facility agreement with The Bank of Nova Scotia maturing in April 2021, and bearing interest at LIBOR + 3.0% (Facility A). The agreement was amended and restated in May 2017 to include an additional $50 million (Facility B) bearing interest at LIBOR + 3.15% and maturing in May 2022. Both Facility A and B are guaranteed by MIC S.A. As of June 30, 2017, $99 million was outstanding under Facility A and B.

On June 3, 2016, Telemovil El Salvador, S.A. de C.V. entered into a $30 million credit facility agreement with Citibank N.A., for general corporate purposes maturing in June 2021 and bearing variable interest rate at LIBOR + 2.25% per annum. The facility is repayable in yearly installments of varying amounts until maturity and is guaranteed by MIC S.A. As of June 30, 2017, $30 million was outstanding under the agreement.

Guatemala joint venture

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established by Comcel for the purposes of the transaction, issued a ten-year, $800 million bond with a fixed coupon of 6.875% to refinance existing local and MIC S.A. corporate debt (the "Comcel Bond"). The Comcel Bond is guaranteed by Comcel and listed on the Luxembourg Stock Exchange. Simultaneously with, the bond, Comcel entered into an $800 million senior unsecured loan with Credit Suisse AG, Cayman Islands Branch. The proceeds of the Comcel Bond were used by Intertrust SPV to purchase a 100% participation interest in the loan pursuant to a participation agreement.

Between May and June 2015, the joint venture operation in Guatemala signed ten year bilateral credit agreements with two major local banks for funding in local currency: GTQ 600 million (approximately $82 million) with Banco Industrial and GTQ 1 billion with Banco G&T Continental S.A. (approximately $137 million). The loans bear an average interest rate of 7.16%. As of June 30, 2017, the full amount was outstanding under the agreements.

Honduras joint venture

On March 27, 2015, Telefonica Celular, S.A. de C.V. and Millicom Cable Honduras S.A. de C.V. entered into a $250 million credit agreement (with Millicom Cable Honduras' borrowings not to exceed $35 million) with The Bank of Nova Scotia and ITAU BBA International PLC. The obligations of the borrowers under this facility are guaranteed by MIC S.A. The facility matures in 2020 and the loans bear at LIBOR + 2.75%. In February 2016, Millicom Cable Honduras S.A. was merged by absorption by Navega, S.A. As of June 30, 2017, $35 million was outstanding under the facility.

In 2015, Telefonica Celular, S.A. entered into a HNL 1,600 million (approximately $68 million) facility with Grupo Atlantida. The loans bear interest at 10.25% and the facility matures in 2023. As of June 30, 2017, HNL 1,400 million (approximately $60 million) was outstanding under the facility.

In October 2015, Telefonica Celular, S.A. entered into a HNL 228 million (approximately $10 million) facility with Banco del Pais, S.A. The loans bear interest at 10% and the facility matures in 2023. As of June 30, 2017, HNL 199 million (approximately $9 million) was outstanding under the facility.

In 2016, Telefonica Celular, S.A. entered into a HNL 453 million (approximately $19 million) facility with Banco del Pais, S.A. The loans bear interest at 9.20% and the facility matures in 2024. As of June 30, 2017, HNL 395 million (approximately $17 million) was outstanding under the facility.

In October 2015, Telefonica Celular, S.A. entered into a HNL 468 million (approximately $20 million) facility with Banco Ficohsa. The loans bear interest at 10.75% and the facility matures in 2023. As of June 30, 2017, HNL 408 million (approximately $18 million) was outstanding under the facility.

In December 2015, Telefonica Celular, S.A. entered into a HNL 84 million (approximately $4 million) facility with Banco Ficensa. The loans bear interest at 10% and the facility matures in 2023. As of June 30, 2017, HNL 74 million (approximately $3 million) was outstanding under the facility.

In December 2015, Telefonica Celular, S.A. entered into a HNL 351 million (approximately $15 million) facility with Banco de Occidente S.A.1. The loans bear interest at 10.06% and the facility matures in 2023. As of June 30, 2017, HNL 307 million (approximately $13 million) was outstanding under the facility.

In September 2016, Telefonica Celular, S.A. entered into a HNL 228 million (approximately $10 million) facility with Banco Davivienda. The loans bear interest at 9% and the facility matures in 2024. As of June 30, 2017, HNL 228 million (approximately $10 million) was outstanding under the facility.

In September 2016, Telefonica Celular, S.A. entered into a two tranche 18-month facility for HNL 502 million (approximately $22 million) facility with Banco Bac Credomatic. Tranche A loans bear interest at 9.3% and tranche B loans bear interest at 9.5% for tranche B. As of June 2017, HNL 252 million (approximately $11 million) was outstanding under the facility.

In February 2012, Millicom Cable Honduras (now merged with Navega, S.A.) entered into a $28 million facility with Banco Industrial. The loans bear interest at 3.96% and the facility matures in 2017. The facility is guaranteed by Telefonica Celular, S.A. As of June 2017, $3 million was outstanding under the facility.

Paraguay

In December 2012, Telecel Paraguay issued a ten-year, $300 million bond with a fixed coupon of 6.75%, part of the proceeds of which were used for general corporate purposes and to partially fund the acquisition of Cablevisión Paraguay. The bond is listed on the Luxembourg Stock Exchange.

In 2015, Telecel Paraguay obtained a five year PYG 257,700 million (approximately $45 million) loan from Banco Itau and an eight year PYG 275,000 million (approximately $49 million) loan from Banco Continental (the "2015 Paraguay Loans"). The 2015 Paraguay Loans bear interest at 9%. In 2016, Telecel Paraguay obtained an eight year PYG 59,800 million (approximately $11 million) loan from Banco Continental bearing interest at 10.25%. As of June 30, 2017, PYG 257,700 million and PYG 275,000 million, respectively, was outstanding under the facilities.

Africa

Chad

In June 2014, Millicom Tchad entered into a loan agreement (which was amended and restated in December 2014) with the International Finance Corporation (the "IFC Facility") pursuant to which Millicom Tchad may borrow up to €55 million from IFC under the A loan facility and up to €41.5 million from an investor in IFC's Managed Co-Lending Portfolio Program under the B loan facility. The obligations of Millicom Tchad under the IFC Facility are guaranteed by MIC S.A.

Interest on amounts drawn under the IFC Facility is payable at EURIBOR + 3.65% and the IFC Facility matures on May 19, 2020.

Millicom Tchad is required to maintain, at all times, the following financial ratios on a consolidated basis: a current debt service coverage ratio of 1.1x (which is calculated as available cash flow for the previous four quarters divided by all principal and interest payments over the same period, excluding voluntary prepayments); a net debt-to-EBITDA ratio (of 3.0x until December 31, 2016, 2.5x from January 1, 2017 to December 31, 2018 and 2.0x thereafter, and a debt to equity ratio of 3.0x until December 31, 2016 and 2.5x thereafter; and a net worth which constitutes solvency in accordance with applicable law.

The IFC Facility contains a number of negative covenants which restrict Millicom Chad's ability to, among other things, make restricted payments, dispose of assets, incur capital expenditures other than those specified in the IFC Facility, acquire additional debt, enter into guarantees, make prepayments on other loans, and incorporate subsidiaries. In particular, restricted payments, including dividend payments, are only permitted if no event of default would result therefrom, all required financial ratios are complied with and the current debt service coverage ratio exceeds 1.5x.

Millicom Chad is not permitted to enter into any agreement or arrangement to guarantee or assume or become obligated for any financial or other obligation of another person, including Millicom Tchad's affiliates. Millicom Tchad may only incur additional debt if all required financial ratios are complied with (and the net debt to EBITDA ratio for the period up to December 31, 2016 is required to be no greater than 2.5x (and not 3x) for that purpose).

As of June 30, 2017, $59 million was outstanding under the IFC Facility.

In December 2009, Millicom Tchad extended by five years a $50 million four-year deferred payment agreement with Huawei Tech. Investment Co. Ltd, which was subsequently transferred to the Export Import Bank of China, bearing interest at LIBOR + 3.75% per annum and guaranteed by MIC S.A. This agreement includes a one-year grace period for repayment. As of June 30, 2017, $5 million was outstanding under the agreement.

Ghana

In November 2016, Millicom Ghana Company Limited entered into a $40 million loan facility with The Standard Bank of South Africa Limited. The facility has a two-year term, with the option to extend for a further period of up to one year. Interest on amounts drawn under this facility is payable at LIBOR + 2%. As of June 30, 2017, $40 million was outstanding under the facility. The obligations of Millicom Ghana Company Limited under this facility are guaranteed by MIC S.A.

In June 2010, Millicom Ghana entered into a master lease agreement with a Helios Towers Ghana entity relating to tower companies (as further discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure—Ghana*"). As of June 30, 2017, $6 million was outstanding on the finance lease granted under the agreement.

In October 2011, Millicom Ghana entered into a tower sharing agreement with African Towers Limited, another tower infrastructure company operating in Ghana, by which we directly share passive infrastructure and towers. As of June 30, 2017, $6 million was outstanding under the agreement.

Rwanda

In July 2016, Millicom Mauritius amended a term loan facility with DNB Bank ASA, which was guaranteed by MIC S.A. and our Rwanda operations, the purpose of which is to enable Millicom Mauritius to make loans to our Rwanda operations. This facility provides for one five-year term loan of up to $50 million (Term Loan A), a second five-year term loan of up to $30 million (Term Loan B) and a third five-year term loan of up to $40 million (Term Loan C). The term loans bear interest at a rate of LIBOR + 2.35% per annum plus any mandatory costs. Term Loan A matured in 2016 and was repaid in full, Term Loan B matures in April 2018 and Term Loan C matures in April 2019. As of June 30, 2017, $70 million was outstanding under this facility.

In August 2009, our Rwanda operations entered into a ten-year tower sharing agreement with MTN, which was subsequently transferred to IHS by which we directly share passive infrastructure and towers. As of June 30, 2017, $10 million was outstanding under the agreement.

Tanzania

In February 2014, Millicom Tanzania entered into a framework agreement in respect of a sale and lease-back arrangement with Helios Towers Tanzania, relating to tower companies (as further discussed under "*Our Business—Our Services and Market Position—Tower Infrastructure—Tanzania*"), which matures in 2026. As of June 30, 2017, $86 million was outstanding on the finance lease under the agreement.

In February 2014, Millicom Tanzania entered into a tower sharing agreement with HTT Infraco Limited, by which we directly share passive infrastructure and towers. As of June 30, 2017, $13 million was outstanding on the finance lease under the agreement.

On October 22, 2015, Zantel entered into a $100 million term loan facility agreement with, among others, Standard Chartered Bank and AB Svensk Exportkredit, The obligations of Zantel under this facility are guaranteed by MIC S.A. Interest on amounts drawn under this facility is payable at LIBOR + 3.75% and the facility matures on October 22, 2020. As of June 30, 2017, $100 million was outstanding under this facility.

Maturity profile of indebtedness

The following table shows the maturity profile of our indebtedness, excluding the carrying value of derivative instruments and indebtedness to, or for the benefit of, other members of the Millicom Group, as of June 30, 2017 (without adjustments for subsequent events):

Due within	Bank financing	Bonds	DFIs	Total financing	Finance leases	Total indebtedness
			(U.S. dollars in millions)			
One year	66	372	3	441	12	453
Guatemala	–	–	–	–	–	–
Honduras	84	–	–	84	–	84
One-two years	213	262	3	478	22	500
Guatemala	–	–	–	–	–	–
Honduras	96	–	–	96	–	96
Two-three years	187	106	62	355	18	372
Guatemala	–	–	–	–	–	–
Honduras	142	–	–	142	–	142
Three-four years	327	57	3	387	27	414
Guatemala	–	–	–	–	–	–
Honduras	18	–	–	18	–	18
Four-five years	228	676	3	907	31	938
Guatemala	–	–	–	–	–	–
Honduras	18	–	–	18	–	18
Five-six years	54	319	–	373	34	407
Guatemala	–	–	–	–	–	–
Honduras	18	–	–	18	–	18
Six-seven years	40	125	–	165	44	209
Guatemala	–	784	–	784	–	784
Honduras	18	–	–	18	–	18
Seven-eight years	60	504	–	564	38	602
Guatemala	209	–	–	209	–	209
Honduras	1	–	–	1	–	1
Eight-nine years	39	86	–	125	24	149
Guatemala	–	–	–	–	–	–
Honduras	–	–	–	–	–	–
Nine-ten years	20	2	–	22	21	43
Guatemala	–	–	–	–	–	–
Honduras	–	–	–	–	–	–
More than ten years	39	48	–	87	34	121
Guatemala	–	–	–	–	–	–
Honduras	–	–	–	–	–	–
Total indebtedness	**1,272**	**2,557**	**74**	**3,905**	**305**	**4,210**
Guatemala	209	784	–	993	–	994
Honduras	395	–	–	395	–	395
Total indebtedness (underlying)	**1,878**	**3,343**	**74**	**5,295**	**305**	**5,599**

Guarantees

In the normal course of business, the Millicom Group has issued guarantees to secure certain obligations of some of its operations under bank financing agreements. As of June 30, 2017, the Millicom Group had issued $667 million of guarantees, as further discussed above.

The following table sets forth the amount of the Millicom Group's total indebtedness guaranteed by MIC S.A. by operation as of June 30, 2017 (without adjustments for subsequent events).

Country beneficiary	Outstanding exposure of debt guaranteed
	(U.S. dollars in millions)
Chad	64
Bolivia	16
El Salvador	129
Ghana	40
Honduras	250
Rwanda	69
Tanzania (Zantel)	100
Total	**667**

Pledged assets

As of June 30, 2017, our share of pledged deposits was $2 million, and we had issued guarantees over debt and financings of $667 million, including $250 million of indebtedness incurred by the Honduras joint venture.

Foreign currency forward contracts

In October 2012, MIC S.A. entered into a foreign currency and forward swap contract to U.S. dollars for Swedish krona in connection with the SEK Bonds, which is discussed above under "*—Indebtedness by Operation—MIC S.A.*" The carrying value of these foreign currency hedges as of June 30, 2017, December 31, 2016, December 31, 2015 and December 31, 2014, was a liability of $64 million, $84 million, $65 million and $43 million, respectively.

Swap contracts

As of June 30, 2017, we were party to several interest rate swap contracts to manage our interest rate exposure to several external lending facilities and internal borrowing arrangements. MIC S.A. also entered into an interest-rate swap contract to manage its interest rate exposure under the SEK Bonds, which is described above under "*—Indebtedness by Operation—MIC S.A.*"

In May 2013, MIC S.A. entered into a cross currency swap to sell Euros and receive U.S. dollars to hedge against exchange rate fluctuations in connection with the downstreaming of proceeds from the 4.75% Notes to MIC S.A.'s subsidiaries in Chad. This cross currency swap was issued for a nominal amount of €41.5 million and matures in 2020 and was terminated effective August 30, 2017.

In June 2013, MIC S.A. entered into two forward cross currency swaps to sell Euros and receive U.S. dollars to hedge against exchange rate fluctuations in connection with the downstreaming of proceeds from the 4.75% Notes to MIC S.A.'s subsidiaries in Senegal. These cross currency swaps were issued for a nominal amount of €134 million and mature in 2020 and both of these swaps were terminated on August 30, 2017, as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Termination of Cross Currency Swaps.*" These cross currency swap arrangements are addressing currency risks on transactions which are considered intercompany lending, for which hedge accounting does not apply; therefore, these swaps are considered ineffective, with fluctuations in the swaps' value recorded on our income statement.

Description of the Notes

In this "*Description of the Notes*," "Issuer" refers to Millicom International Cellular S.A. and not to any of its Subsidiaries except for the purposes of financial data determined on a consolidated basis. The definitions of certain other terms used in this description are set forth throughout the text or under "*—Certain Definitions*." Certain defined terms used in this description but not defined below have the meanings assigned to them in the Indenture.

The Issuer will issue the notes offered hereby (the "Notes") under an indenture (the "Indenture") among, inter alios, the Issuer and Citibank, N.A., London Branch, as trustee (the "Trustee"). The terms of the Notes include those set forth in the Indenture. The Notes will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and will be subject to certain transfer restrictions.

The following description is a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety and, where reference is made to a particular provision of the Indenture, such reference, including the definitions of certain terms, is qualified in its entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it, and not this description, defines your rights as a holder of the Notes. After the Notes have been issued, copies of the Indenture and the form of Note may be obtained by requesting it from the Issuer at the address indicated under "*Listing and General Information*" or, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, from the office of the paying agent in London.

The Indenture will not be qualified under, nor be subject to or include any of the provisions of, the U.S. Trust Indenture Act of 1939, as amended (the "TIA"). Consequently, the Holders generally will not be entitled to the protections provided under such TIA to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of certain relationships between it and the Issuer.

The Issuer has made an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes for trading on the Euro MTF Market.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief description of the structure and ranking of the Notes

The Notes

The Notes will:

(a) be the general obligations of the Issuer;

(b) mature on January 15, 2028;

(c) rank equally in right of payment with all of the Issuer's existing and future obligations that are not subordinated in right of payment to the Notes;

(d) be senior in right of payment to any of the Issuer's existing and future Debt that is subordinated in right of payment to the Notes;

(e) be effectively subordinated to any existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes, to the extent of the value of property and assets securing such obligations; and

(f) be structurally subordinated to all existing and future obligations of Subsidiaries of the Issuer.

General

The Issuer is a holding company without operations and, therefore, depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of each of the Issuer's Subsidiaries. Any right of the Issuer to receive assets of any of the Issuer's Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary, in which case the claims of the Issuer would still be subordinate in right of payment to any security in the assets of the Subsidiary and any Debt of the Subsidiary senior to that held by the Issuer.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer, and its Subsidiaries may Incur, the amount of such additional Debt could be substantial.

Principal, maturity and interest

The Notes will mature on January 15, 2028 unless redeemed prior thereto as described herein. The Issuer will issue the Notes in the aggregate principal amount of $500 million in this Offering. Subject to the covenant described under "*—Certain Covenants—Limitation on Debt*," the Issuer is permitted to issue additional Notes under the Indenture from time to time after the Issue Date (the "**Additional Notes**"). Any issuance of Additional Notes will be subject to all of the covenants in the Indenture. The Notes and any Additional Notes that are issued will be treated as a single class for all purposes of the Indenture, including, without limitation, those with respect to waivers, amendments, redemptions and offers to purchase, provided, however, that such Additional Notes are fungible with the Notes for U.S. federal income tax purposes. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture and in this "*Description of the Notes*" include references to any Additional Notes that are issued.

Interest on the Notes will accrue at the rate of 5.125% per annum. Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15, commencing on January 15, 2018. Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as at the immediately preceding January 15 or July 15, as the case may be.

Interest will be computed on the basis of a 360-day year comprised of twelve 30 day months. Interest on overdue principal and interest will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. In no event will the rate of interest on the Notes be higher than the maximum rate permitted by applicable law.

Form of Notes

The Notes will be issued on the Issue Date only in fully registered form without coupons and only in denominations of $200,000 and integral multiples of $1,000 in excess thereof.

The Notes will be initially in the form of one or more global notes (the "Global Notes"). The Global Notes will be deposited with a custodian for DTC in the case of the Notes sold pursuant to Rule 144A under the U.S. Securities Act ("Rule 144A"), and a common depositary for Euroclear and Clearstream or a nominee of such common depositary, in the case of Notes sold pursuant to Regulation S under the U.S. Securities Act ("Regulation S"). Ownership of interests in the Global Notes, ("Book-Entry Interests") will be limited to Persons that have accounts with DTC, Euroclear and Clearstream or their respective participants. Book-Entry Interests will be shown on, and transfers thereof will be affected only through, records maintained in book-entry form by DTC and its participants, in the case of the Notes sold pursuant to Rule 144A, or by Euroclear and Clearstream and their respective participants, in the case of Notes sold pursuant to Regulation S.

The terms of the Indenture will provide for the issuance of definitive registered Notes in certain circumstances. Please see the section of this Offering Memorandum entitled "*Book-Entry, Delivery and Form*."

Transfer

The Notes may be transferred in accordance with the Indenture, which will provide for, among other things, the transfer of the Notes by the Transfer Agent in London. All transfers of Book-Entry Interests between participants in DTC, Euroclear or Clearstream will be effected by DTC, Euroclear or Clearstream, as the case may be, pursuant to customary procedures and subject to applicable rules and procedures established by DTC, Euroclear and Clearstream and their respective participants. Please see the section of this Offering Memorandum entitled "*Book-Entry, Delivery and Form*."

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Important Information About this Offering Memorandum*."

Payments on the Notes; paying agent and registrar

The Issuer will make all payments, including principal of, and premium, if any, and interest on, the Notes, at its office or through an agent in London that it will maintain for these purposes.

The Issuer will also maintain one or more registrars for so long as the Notes are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and its rules so require. The Issuer will also maintain a transfer agent. The initial registrar will be Citigroup Global Markets Deutschland AG. The initial paying agent and transfer agent will be Citibank, N.A., London Branch. The registrar will maintain a register reflecting ownership of Definitive Registered Notes (as defined under "*Book-Entry, Delivery and Form*") outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Issuer.

Title of ownership to the Notes will be evidenced through registration in the relevant register as described in the preceding paragraph, as reflected or respectively consolidated from time to time in the register of notes to be held and updated by the Registrar.

The Issuer may change any paying agent, registrar or transfer agent without prior notice to the holders of the Notes. In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under "*—Optional Redemption*" or an offer to purchase the Notes described under either of "*—Change of Control*" and "*—Certain Covenants—Limitation on Asset Dispositions*." The Issuer will make all payments in same-day funds. Payments on the Global Notes will be made to the nominee for DTC as the registered holder of the Global Notes sold pursuant to Rule 144A and to the order of the common depositary for Euroclear and Clearstream as the registered holder of the Global Notes sold pursuant to Regulation S or to a nominee of such common depositary.

The Issuer undertakes that it will maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such directive.

No service charge will be made for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Additional Amounts

The Issuer with respect to payments under or with respect to the Notes agrees that, if any deduction or withholding of any present or future taxes, levies, imposts or charges whatsoever imposed by or for the account of any jurisdiction in which the Issuer is organized, engaged in business or resident for tax purposes, or from or through which payment on the Notes is made by or on behalf of the Issuer (including the jurisdiction of any paying agent) or any political subdivision or taxing authority thereof or therein having the power to tax (each, a "Relevant Taxing Jurisdiction") and any interest, penalties and other liabilities with respect thereto (collectively, "Taxes") shall be required, the Issuer will (subject to the limitations described below) pay such additional amounts ("Additional Amounts") in respect of principal (and premium, if any) and interest as may be necessary in order that the net amounts received pursuant to the Notes after such deduction or withholding (including any withholding or deduction from such Additional Amounts) shall equal the respective amounts of principal (and premium, if any) and interest specified in the Notes that would have been received if such Taxes had not been required to be withheld or deducted; provided, however, that the Issuer shall not be required to make any payment of Additional Amounts for or on account of (i) any Taxes imposed by or for the account of a Relevant Taxing Jurisdiction which would not be payable but for the fact that the holder or beneficial owner of a Note (or a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant holder, if the relevant holder is an estate, trust, nominee, partnership, limited liability company or corporation) is a citizen, domiciliary, national or resident of, incorporated in, or engaging in business or maintaining a permanent establishment or being physically present in, such Relevant Taxing Jurisdiction or otherwise having some present or former connection with such Relevant Taxing Jurisdiction other than the holding or ownership of such Note or the receipt of principal of (and premium, if any) and interest on such Note or the exercise of rights under or the enforcement of such Note or the Indenture; (ii) any Tax that would not have been imposed but for the presentation of a Note (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30 day period; (iii) any Tax that would not have been imposed but for a failure by the relevant holder or beneficial owner of the Note to comply with any applicable certification, information, identification, documentation or other reporting requirements, whether required by statute, treaty, regulation or administrative practice, of a Relevant Taxing Jurisdiction, if such compliance is legally required as a precondition to relief or exemption from such Tax (including without limitation a certification that such holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction); provided, however, that this clause (iii) shall not apply if the Issuer shall not have provided the holder of the Note with written notice of the applicable requirement at least 60 days prior to the date that the holder or beneficial owner of the Note is required to comply with such applicable requirement; (iv) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes; (v) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes; (vi) any Taxes imposed or withheld by reason of the failure of the holder or beneficial owner of the Note to comply with the requirements of Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), as of the date hereof (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), the U.S. Treasury Regulations issued thereunder or any official interpretation thereof, any law implementing an intergovernmental approach thereto or any agreement entered into pursuant to Section 1471 of the Code; or (vii) any combination of clauses (i) through (vi) above.

In addition, the Issuer shall not have any obligation to pay Additional Amounts to a holder that is a fiduciary or partnership or an entity that is not the sole beneficial owner of the payment of the principal or interest on a Note to the extent that the laws of the Relevant Taxing Jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes

with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had it been the holder of such Note.

If the Issuer becomes aware that it will be obligated to pay any Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer will deliver to the Trustee and the paying agent on a date that is at least 30 days prior to the date of that payment (unless that obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Issuer shall notify the Trustee and the Paying Agent promptly thereafter) an Officer's Certificate stating that the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

The Issuer will also make or cause to be made such withholding or deduction of Taxes required by law and will remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will use its reasonable efforts to obtain tax receipts from each such tax authority evidencing the payment of any Taxes so deducted or withheld. The Issuer will, upon request, make available to the Trustee and the paying agent, within 30 days after the date on which the payment of any Taxes so deducted or withheld is due pursuant to applicable law, certified copies of tax receipts evidencing such payment by the Issuer or if, notwithstanding the Issuer's efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee and the paying agent of such payment by the Issuer. If reasonably requested by the Trustee or the paying agent, the Issuer will provide to the Trustee and the paying agent such information as may be in the possession of the Issuer (and not otherwise in the possession of the Trustee and paying agent) to enable the Trustee and paying agent to determine the amount of withholding taxes attributable to any particular holder, provided however that in no event shall the Issuer be required to disclose any information that it reasonably deems confidential.

In addition to the foregoing, the Issuer will pay, and agrees to indemnify any holder for any present or future stamp, issue, registration, transfer, documentation, court, excise or property taxes imposed in connection with the execution, issue, delivery, registration or enforcement of the Notes, the Indenture.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply mutatis mutandis to any jurisdiction in which any successor Person to the Issuer is organized, engaged in business or resident for tax purposes or from or through which payment on the Notes is made by or on behalf of such successor Person (including the jurisdiction of any paying agent) or any political subdivision or taxing authority thereof or therein having the power to tax.

Whenever in the Indenture, this Offering Memorandum or this "*Description of the Notes*" there is mentioned, in any context, the payment of principal (and premium, if any), redemption price, interest or any other amount payable under or with respect to any Note, such mention will be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are or would be payable in respect thereof.

Optional redemption

Except as described below, the Notes are not redeemable at the Issuer's option. The Issuer is not, however, prohibited from acquiring the Notes by means other than a redemption, whether pursuant to a tender offer, open market purchase or otherwise, so long as the acquisition does not otherwise violate the terms of the Indenture.

In each case below, the Issuer may make any redemption or redemption notice subject to the satisfaction of conditions precedent. If such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time (but no more than 60 days after the date of the notice of redemption) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. In addition, the Issuer may provide in such notice that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest, if any, will be paid to the Person in whose name the Note is registered at the close of business on such record date and no additional interest will be payable to holders whose Notes will be subject to redemption.

Optional redemption prior to September 15, 2020 upon equity offerings

At any time prior to September 15, 2020, upon not less than 10 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of Notes at a redemption price of 105.125% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), with the proceeds from one or more Equity Offerings or any sale of Qualified Capital Stock of any Subsidiary of the Issuer. The Issuer may only do this, however, if:

(a) at least 50% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 180 days after the closing of such Equity Offering or sale of Qualified Capital Stock.

Any notice for such a redemption may be given prior to completing the Equity Offering or sale of Qualified Capital Stock.

Optional redemption prior to September 15, 2020 upon Specified Subsidiary Sale

At any time prior to September 15, 2020, upon not less than 10 nor more than 60 days' notice, the Issuer may on any one or more occasions redeem up to 40% of the original aggregate principal amount of Notes at a redemption price of 105.125% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), with the Net Available Proceeds from one or more Specified Subsidiary Sales. The Issuer may only do this, however, if:

(a) at least 50% of the aggregate principal amount of Notes that were initially issued would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 365 days from the later of the date of such Specified Subsidiary Sale or the receipt of such Net Available Proceeds.

Optional redemption prior to September 15, 2022

During each 12 month period commencing on the Issue Date and ending on September 15, 2022, upon not less than 10 nor more than 60 days' prior notice, the Issuer may redeem up to 10% of the original aggregate principal amount of the Notes at a redemption price equal to 103% of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

At any time prior to September 15, 2022, upon not less than 10 nor more than 60 days' notice, the Issuer may also redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of Holders on the relevant record date to receive interest due on the relevant interest payment date.

Optional redemption on or after September 15, 2022

At any time on or after September 15, 2022 and prior to maturity, upon not less than 10 nor more than 60 days' notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of $200,000 or integral multiples of $1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the 12 month period commencing on September 15 of the years set forth below.

Year	Redemption price
2022	102.563%
2023	101.708%
2024	100.854%
2025 and thereafter	100%

Optional Redemption upon Certain Tender Offers

In connection with any tender offer or other offer to purchase for all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not validly withdrawn by such holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' notice following such purchase date, to redeem all Notes, that remain outstanding following such purchase at a price equal to the price paid to each other holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

Redemption upon changes in withholding taxes

The Issuer may redeem the Notes, in whole but not in part, at its option, at 100% of the outstanding principal amount thereof plus accrued and unpaid interest to the date of redemption and any Additional Amounts (as defined under "*—Additional Amounts*") payable with respect thereto, if (1) as a result of (x) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*—Additional Amounts*") affecting taxation which is publicly announced and becomes effective on or after the Issue Date or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction after the Issue Date, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture or (y) any change in, or amendment to, the existing official published position (including any such change or amendment occurring as a result of the introduction of an official position) regarding the application, administration or interpretation of the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (including any such change or amendment occurring as a result of a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change or amendment is publicly announced and becomes effective on or after the Issue Date or, if such Relevant Taxing Jurisdiction has become a Relevant Taxing Jurisdiction after the Issue Date, on or after the date on which such Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction under the Indenture (either, a "**Change in Tax Law**"), the Issuer has or will become obligated to pay Additional Amounts and (2) such obligation cannot be avoided by the Issuer taking reasonable

measures available to it; provided, however, that for this purpose reasonable measures shall not include any change in the Issuer's jurisdiction of organization or the location of its principal executive office, or the incurrence of material out of pocket costs by it. No such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the publication or mailing of any notice of redemption of the Notes as described below, the Issuer must deliver to the Trustee (i) an Officers' Certificate stating that the Issuer is entitled to effect such redemption and (ii) an opinion of legal counsel of recognized standing stating that the Issuer has or will become obligated to pay Additional Amounts due to a Change in Tax Law. The Trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, upon which it will be conclusive and binding on the holders.

Redemption procedures

If fewer than all of the Notes are being redeemed, the paying agent or the Registrar will select the Notes to be redeemed in compliance with the requirements of the principal securities exchange, if any, on which that series of Notes are listed, or if the Notes are not so listed or such exchange prescribes no method of Selection, on a pro rata basis (or, in the case of Notes issued in global form as described under "*—Book-Entry, Delivery and Form*," based on a method in accordance with the procedures of Euroclear, Clearstream and/or the DTC) in denominations of $1,000 principal amount and integral multiples thereof. Upon surrender of any Note redeemed in part, the holder will receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note. Once notice of redemption is sent to the holders, Notes called for redemption become due and payable at the redemption price on the redemption date, and, commencing on the redemption date, Notes redeemed will cease to accrue interest. None of the Trustee, the paying agent or the Registrar shall be liable for any selection made in accordance with this paragraph.

Notice of redemption shall be mailed by first class mail (or delivered by means of publication via Euroclear, Clearstream and/or DTC) at least 10 but not more than 60 calendar days before the redemption date to each holder of Notes to be redeemed at its registered address. The Issuer will cause a copy of such notice to be published in a daily newspaper with general circulation in New York City (which is expected to be the *Wall Street Journal*), London (which is expected to be the Financial Times) and, for so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in a principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuer has deposited with the paying agent for the Notes funds in satisfaction of the redemption price pursuant to the Indenture. Notes called for redemption become due on the date fixed for redemption. In connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Upon presentation of any Note redeemed in part only, the Issuer will execute and the Trustee will authenticate and deliver to the Issuer on the order of the holder thereof, at the Issuer's expense, a new Note or Notes, of authorized denominations, in principal amount equal to the unredeemed portion of the Note so presented.

Any Notes that are redeemed pursuant to the terms of the Notes will be cancelled. Any Notes that are purchased by the Issuer in the open market or otherwise may be cancelled, held or resold by the Issuer as it may determine, provided that any such resales are conducted in compliance with all applicable securities laws.

No mandatory redemption or sinking fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Change of control

Within 60 days of the occurrence of a Change of Control Triggering Event, the Issuer will be required to make an Offer to Purchase all Outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued interest and any additional amounts thereon to the date of purchase (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date) (a "Change of Control Offer").

A "Change of Control Triggering Event" will be deemed to have occurred if a Change of Control has occurred and a Rating Decline occurs.

A "Change of Control" will be deemed to have occurred at such time as:

(a) any Person (other than a Permitted Holder) becomes the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of the Issuer, measured by voting power rather than number of shares;

(b) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its respective subsidiaries taken as a whole to any Person; or

(c) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

A "Rating Decline" will be deemed to have occurred if at any time within the earlier of (i) 90 days after the date of public notice of a Change of Control, or of the Issuer's intention or the intention of any Person to effect a Change of Control and (ii) the occurrence of the Change in Control (which period shall in either event be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by a Rating Agency), a Rating Agency withdraws its rating of the Notes or the rating of the Notes is decreased by a Rating Agency as follows:

(a) if the Notes are not rated Investment Grade by at least two of the three Rating Agencies on the Rating Date, by one or more Gradations; or

(b) if the Notes are rated Investment Grade by at least two of the three Rating Agencies on the Rating Date, either (i) by two or more Gradations or (ii) such that the Notes are no longer rated Investment Grade.

provided that, when announcing the relevant decision(s) to withdraw or decrease the rating, each such Rating Agency announces publicly or confirms in writing that such decision(s) resulted, in whole or in part, from the occurrence (or expected occurrence) of the Change of Control or the Issuer's announcement of the intention to effect a Change of Control.

In the event that the Issuer makes a Change of Control Offer, the Issuer intends to comply with any applicable securities laws and regulations, including any applicable requirements of Section 14(e) of, and Rule 14e 1 under, the Exchange Act.

The Issuer will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if (x) another party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer or (y) a notice of redemption has been given pursuant to the Indenture as described above under the caption "*—Optional redemption*," unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The provisions described above requiring the Issuer to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture will not contain provisions that permit the holders of Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, reorganization, restructuring, merger recapitalization or similar transaction.

Certain covenants

The Indenture will contain, among others, the covenants described below with respect to the Issuer and its Subsidiaries. The accounting terms used in such covenants shall have the meanings assigned to them in accordance with IFRS, which is the accounting standard used by the Issuer in presenting its consolidated financial statements.

Limitation on debt

The Issuer may not, and may not permit any of its Subsidiaries to, directly or indirectly, Incur any Debt; provided that the Issuer and any of its Subsidiaries may Incur Debt if at the time of such Incurrence and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a pro forma basis, the Net Leverage Ratio is less than 3.0 to 1.

Notwithstanding the foregoing limitation, the following Debt ("Permitted Debt") may be Incurred:

(i) the Incurrence by the Issuer of Debt pursuant to the Notes (other than Additional Notes);

(ii) any Debt of the Issuer or any of its Subsidiaries outstanding on the Issue Date after giving effect to the use of proceeds of the Notes;

(iii) Pari Passu Debt of the Issuer and Debt of its Subsidiaries under Credit Facilities in an aggregate principal amount at any one time outstanding that does not exceed an amount equal to the greater of (x) $500 million and (y) 8% of Total Assets; and any Permitted Refinancing Debt in respect thereof, plus, (A) any accrual or accretion of interest that increases the principal amount of Debt under Credit Facilities and (B) in the case of any refinancing of Debt permitted under this clause (iii) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(iv) Debt owed by the Issuer to any of its Subsidiaries or Debt owed by any Subsidiary of the Issuer to the Issuer or any other Subsidiary of the Issuer; provided, however, that (A) if the Issuer is the obligor on such Debt and the payee is not the Issuer, such Debt must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations then due with respect to the Issuer's obligations under the Notes, and (B) either (x) the transfer or other disposition by the Issuer or such Subsidiary of any Debt so permitted to a Person (other than to the Issuer or any of its Subsidiaries) or (y) such

Subsidiary ceasing to be a Subsidiary of the Issuer, will at the time of such transfer or other disposition, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (iv);

(v) the Guarantee by the Issuer or any of its Subsidiaries of Debt of any of the Issuer's Subsidiaries to the extent that the Guaranteed Debt was permitted to be Incurred by another provision of this covenant;

(vi) Acquired Debt;

(vii) Minority Shareholder Loans;

(viii) the Incurrence by the Issuer or any of its Subsidiaries of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to refund, replace or refinance, Debt Incurred by it pursuant to, or described in, the first paragraph of this "Limitation on Debt" covenant and clauses (i), (ii), (vi) and this clause (viii) of this definition of Permitted Debt, as the case may be;

(ix) Debt of the Issuer or any of its Subsidiaries represented by letters of credit in order to provide security for workers' compensation claims, health, disability or other employee benefits, payment obligations in connection with self-insurance or similar requirements of the Issuer or any of its Subsidiaries in the ordinary course of business;

(x) customary indemnification, adjustment of purchase price or similar obligations, in each case, incurred in connection with the disposition of any assets of the Issuer or any of its Subsidiaries, and earn-out provisions or contingent payments in respect of purchase price or adjustment of purchase price or similar obligations in acquisition agreements other than Guarantees of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of each such Incurrence of such Debt will at no time exceed the gross proceeds actually received by the Issuer or any of its Subsidiaries in connection with the related disposition;

(xi) obligations in respect of (a) customs, VAT or other tax guarantees, (b) bid, performance, completion, guarantee, surety and similar bonds, including guarantees or obligations of the Issuer or any of its Subsidiaries with respect to letters of credit supporting such obligations, and (c) the financing of insurance premiums, in each case, in the ordinary course of business and not related to Debt for borrowed money;

(xii) Debt of the Issuer or any of its Subsidiaries arising from the honoring by a bank or other financial institution of a check, draft or similar instrument including, but not limited to, electronic transfers, wire transfers, netting services and commercial card payments, drawn against insufficient funds; provided that such Debt is extinguished within 30 days of Incurrence;

(xiii) guarantees by the Issuer or any Subsidiary of Debt or any other obligation or liability of the Issuer or any Subsidiary (other than of any Debt Incurred in violation of this covenant); provided, however, that if the Debt being guaranteed is subordinated in right of payment to the Notes or any Guarantee of the Notes, then such guarantee shall be subordinated substantially to the same extent as the relevant Debt guaranteed;

(xiv) Debt of the Issuer or any Subsidiary in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Debt in respect thereof and the principal amount of all other Debt Incurred pursuant to this clause (xiv) and then outstanding, will not exceed 100% of the cash proceeds (net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any

tax sharing arrangements)) received by the Issuer from the issuance or sale (other than to the Issuer or a Subsidiary) of its Subordinated Shareholder Loans or Capital Stock or otherwise contributed to the equity of the Issuer, in each case, subsequent to the Issue Date (and in each case, other than through the issuance of Disqualified Stock or Preferred Stock);

(xv) Debt arising under borrowing facilities provided by a special purpose vehicle notes issuer to the Issuer or any Subsidiary in connection with the issuance of notes or other similar debt securities intended to be supported primarily by the payment obligations of the Company or any Subsidiary in connection with any vendor financing platform; and

(xvi) the Incurrence by the Issuer or any of its Subsidiaries of Debt not otherwise permitted to be Incurred pursuant to clauses (i) through (xv) above, which, together with any other outstanding Debt Incurred pursuant to this clause (xvi), has an aggregate principal amount at any time outstanding not in excess of the greater of $300 million and 4% of Total Assets, and any Permitted Refinancing Debt of any debt which on the date it was Incurred was permitted to be Incurred pursuant to this clause (xvi), plus, in the case of any refinancing of Debt permitted under this clause (xvi) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

The Issuer will not incur any Debt (including Permitted Debt) that is contractually subordinated in right of payment to any other Debt of the Issuer unless such Debt is also contractually subordinated in right of payment to the Notes on substantially identical terms; provided, however, that no Debt will be deemed to be contractually subordinated in right of payment to any other Debt of the Issuer solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Debt.

For the purposes of determining compliance with this covenant, in the event that an item of Debt meets the criteria of more than one of the types of Permitted Debt or is entitled to be Incurred pursuant to the first paragraph of this "*—Limitation on Debt*" covenant, the Issuer in its sole discretion may classify and from time to time reclassify such item of Debt or any portion thereof and only be required to include the amount of such Debt as one of such types.

For the purposes of determining compliance with any covenant in the Indenture or whether an Event of Default has occurred, in each case, where Debt is denominated in a currency other than U.S. Dollars, the amount of such Debt will be the U.S. Dollar Equivalent determined on the date of such Incurrence; provided, however, that if any such Debt that is denominated in a different currency is subject to an Interest Rate, Currency or Commodity Price Agreement with respect to U.S. Dollars covering principal and premium, if any, payable on such Debt, the amount of such Debt expressed in U.S. Dollars will be adjusted to take into account the effect of such an agreement.

Limitation on Guarantees of the Issuer's Debt by its Subsidiaries

The Issuer will not permit any Significant Subsidiary to, directly or indirectly, provide a Guarantee of any of the Issuer's Debt for which such Significant Subsidiary's maximum exposure in respect of such Guarantee exceeds $50 million unless such Significant Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture providing for its payment guarantee of the Notes; provided:

(a) if the Issuer's Debt is pari passu in right of payment to the Notes, such Significant Subsidiary's Guarantee of the Issuer's Debt shall rank pari passu in right of payment to its guarantee of the Notes;

(b) if the Issuer's Debt is subordinated in right of payment to the Notes, such Significant Subsidiary's Guarantee of the Issuer's Debt shall be subordinated in right of payment to its

guarantee of the Notes substantially to the same extent as the Issuer's Debt is subordinated in right of payment to the Notes;

(c) a Significant Subsidiary's guarantee of the Notes may be limited in amount to the extent required by fraudulent conveyance, thin capitalization, corporate benefit, financial assistance or other similar laws (but, in such a case, the guarantee of the Notes shall be given on an equal and ratable basis with its Guarantee of the Issuer's Debt to the extent permitted by applicable law); and

(d) for so long as it is not permissible under applicable law for such Significant Subsidiary to provide a guarantee of the Notes, such Significant Subsidiary need not provide such a guarantee of the Notes (but, in such a case, the Issuer shall procure that such Significant Subsidiary will use its reasonable best efforts to undertake all whitewash or similar procedures legally available to it to eliminate the relevant legal prohibition, and shall give a guarantee of the Notes at such time (and to the extent) that it thereafter becomes permissible).

The preceding paragraph shall not apply to (a) the granting by such Significant Subsidiary of a Permitted Lien under circumstances which do not otherwise constitute the Guarantee of the Issuer's Debt or (b) the Guarantee by any Significant Subsidiary of any Permitted Refinancing Debt that refinances Debt of the Issuer which benefitted from a Guarantee by any Significant Subsidiary Incurred in compliance with this covenant immediately prior to such refinancing.

Notwithstanding the foregoing, any guarantee of the Notes created pursuant to the provisions described above shall provide by its terms that such guarantee shall be automatically and unconditionally released and discharged upon: (x) such Subsidiary ceasing to be a Significant Subsidiary (including as a result of any sale, exchange or transfer, to any Person, of all of the Issuer's Capital Stock in such Significant Subsidiary) in compliance with the Indenture; or (y) the release by the holders or lenders of the Issuer's Debt described in the preceding paragraph of their Guarantee by such Significant Subsidiary (including any deemed release upon payment in full of all obligations under such Debt (but not under the relevant Guarantee)), at a time when (I) no other Debt of the Issuer has been guaranteed by such Significant Subsidiary or (II) the holders of all such other Debt which is guaranteed by such Significant Subsidiary also release their guarantee by such Significant Subsidiary (including any deemed release upon payment in full of all obligations under such Debt (but not under the relevant guarantee)).

Limitation on Liens securing debt

The Issuer may not, and may not permit any of its Subsidiaries to, directly or indirectly, Incur, suffer to exist or become effective any Lien (other than Permitted Liens) to secure any Debt on or with respect to any property or assets now owned or hereafter acquired unless the Notes are equally and ratably secured by such Lien; provided that, if the Debt secured by such Lien is subordinated or junior in right of payment to the Notes, then the Lien securing such Debt shall be subordinated or junior in right of payment to the Lien securing the Notes.

Any Lien created for the benefit of the Holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged upon the release and discharge of the initial Lien other than as a consequence of an enforcement action with respect to the assets subject to such Lien.

For purposes of determining compliance with this covenant, (x) a Lien need not be Incurred solely by reference to one category of Permitted Liens but may be Incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens the Issuer shall, in its sole discretion, divide, classify or may subsequently reclassify at any time such Lien (or any portion thereof) in any manner that complies with this covenant and the definition of "Permitted Liens".

With respect to any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt, such Lien shall also be permitted to secure any Increased Amount of such Debt. The "**Increased Amount**" of any Debt shall mean any increase in the amount of such Debt in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Debt with the same terms or in the form of common stock, the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock of the same class, accretion of original issue discount or liquidation preference, any fees, underwriting discounts, accrued and unpaid interest, premiums and other costs and expenses incurred in connection therewith and increases in the amount of Debt outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Debt.

Limitation on asset dispositions

The Issuer may not, and may not permit any of its Subsidiaries to, make any Asset Disposition in one or more related transactions unless:

(a) the consideration the Issuer or such Subsidiary receives for such Asset Disposition is not less than the Fair Market Value of the assets sold (as determined by the Issuer's senior management or Board of Directors); and

(b) unless the Asset Disposition is a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Subsidiary receives in respect of such Asset Disposition consists of:

(i) cash or Cash Equivalents;

(ii) the assumption of the Issuer's or any of its Subsidiaries' Debt or other liabilities (other than contingent liabilities or Debt or liabilities that are subordinated to the Notes) or Debt or other liabilities of such Subsidiary relating to such assets and, in each case, the Issuer or the Subsidiary, as applicable, is released from all liability on the Debt assumed;

(iii) any Capital Stock or assets of the kind referred to in clauses (c)(iv) or (v) of this "Limitation on Asset Dispositions" covenant; or

(iv) a combination of the consideration specified in clauses (i) through (iii) of this clause (b); and

(c) within 365 days of such Asset Disposition, the Net Available Proceeds are applied (at the Issuer or applicable Subsidiary's option):

(i) to repay, redeem, retire or cancel outstanding Senior Secured Debt;

(ii) first, to redeem Notes or purchase Notes pursuant to an offer to all Holders at a purchase price equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and second, to the extent any Net Available Proceeds from such Asset Disposition remain, to any other use as determined by the Issuer or the applicable Subsidiary that is not otherwise prohibited by the Indenture;

(iii) to repurchase, prepay, redeem or repay Pari Passu Debt; provided that the Issuer makes an offer to all Holders on a pro rata basis to purchase their Notes in accordance with the provisions set forth below for an Excess Proceeds Offer;

(iv) to acquire all or substantially all of the assets of, or any Capital Stock of, another Related Business, if, after giving effect to any such acquisition of Capital Stock, the Related Business is or becomes a Subsidiary of the Issuer;

(v) to make a capital expenditure or acquire other assets (other than Capital Stock and cash or Cash Equivalents), rights (contractual or otherwise) and properties, whether tangible or intangible (including ownership interests) that are used or intended for use in connection with a Related Business;

(vi) to the extent permitted, to redeem Notes as provided under "*—Optional Redemption*";

(vii) any combination of the foregoing clauses (i) through (vi) of this clause (c); or

(viii) enter into a binding commitment to apply the Net Available Proceeds pursuant to clauses (iv) or (v) of this clause (c); provided that such binding commitment (or any subsequent binding commitment replacing the initial binding commitment that is entered into within 180 days following the aforementioned 365-day period) shall be treated as a permitted application of the Net Available Proceeds from the date of such commitment until the earlier of (X) the date on which such acquisition or expenditure is consummated and (Y) the 180th day following the expiration of the aforementioned 365-day period.

For purposes of this paragraph, any securities, notes or other obligations received by the Issuer or any such Subsidiary from such transferee that are promptly converted by the recipient thereof into cash, Cash Equivalents or readily marketable securities (to the extent of the cash, Cash Equivalents or readily marketable securities received in that conversion), shall be deemed cash.

The amount of such Net Available Proceeds not so used as set forth in the paragraph above constitutes "Excess Proceeds." Pending the final application of any such Net Available Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use such Net Available Proceeds in any manner that is not prohibited by the terms of the Indenture.

When the aggregate amount of Excess Proceeds exceeds $75 million, the Issuer will, within 15 Business Days of the end of the applicable period in clause (c) of this "Limitation on Asset Dispositions" covenant, make an offer to purchase (an "Excess Proceeds Offer") from all Holders and from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount (expressed as a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt for purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be selected by the Registrar or the paying agent in London on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder as provided or calculated by the Issuer). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in a minimum amount of $200,000 and integral multiples of $1,000 in excess thereof on a date that is not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules, including Rule 14e 1 under the Exchange Act and any other applicable securities laws and regulations, including the requirements of any applicable securities

exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "Limitation on Asset Dispositions" covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "Limitation on Asset Dispositions" covenant by virtue thereof.

Existence and maintenance of properties

The Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect the Issuer's existence, rights (charter and statutory) and franchises; provided, however, that (a) the Issuer will not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the Issuer's business and that the loss thereof is not disadvantageous in any material respect to the Holders and (b) the foregoing shall not apply to a transaction permitted under "*—Merger, Consolidations and Certain Sales of Assets of the Issuer*."

The Issuer will cause all material properties used or useful in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order (ordinary wear and tear excepted) and will cause to be made all necessary repairs thereof, all in the Issuer's judgment; provided, however, that nothing in this paragraph shall prevent the Issuer or any of its Subsidiaries from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the Issuer's judgment, desirable in the conduct of its business or the business of the Issuer or such Subsidiary and not disadvantageous in any material respect to the Holders. The Issuer shall, and shall cause its Subsidiaries to, keep at all times all of their properties which are of an insurable nature insured against loss or damage with insurers believed by the Issuer to be responsible to the extent that property of a similar character is usually so insured by corporations similarly situated and owning like properties in accordance with good business practice.

Payments for consent

The Issuer will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder or beneficial holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders and beneficial holders of Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude Holders and beneficial holders of Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash, or (ii) the payment of the consideration therefor would require the Issuer or any of its Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Issuer in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Payment of taxes

The Issuer will (and shall ensure that each of its Subsidiaries will) pay or discharge or cause to be paid or discharged all taxes, assessments, charges and claims, before the same become due; *provided*, *however*, that the Issuer shall not be required to pay or discharge or cause to be paid

or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Provision of financial information

The Issuer will furnish to the Trustee:

(a) within 120 days after the end of the Issuer's fiscal year, as applicable, beginning with the fiscal year ended December 31, 2017, annual reports containing: (i) a discussion of the Issuer's financial results including information similar to that in the section in this Offering Memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*"; (ii) the audited consolidated statement of financial position of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of Issuer for the most recent three fiscal years, including notes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; and (iii) if required under IFRS, a pro forma income statement and a statement of financial position information of the Issuer, together with explanatory footnotes, for any acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such pro forma information has been provided in a previous report pursuant to clause (b) or (c) below); provided that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials to the extent available without unreasonable expense;

(b) within 60 days after the end of each of the first three fiscal quarters of the Issuer's fiscal year, as applicable, beginning with the quarter ended September 30, 2017, quarterly reports containing the following information: (i) the unaudited condensed consolidated statement of financial position of the Issuer as at the end of such quarter and unaudited condensed consolidated income statements and statements of cash flow of each of the Issuer for the most recent quarter and year to date periods ending on the unaudited condensed consolidated statement of financial position date and the comparable prior period (as determined by the IFRS standard on preparation of interim condensed consolidated financial statements) and (ii) a copy of the related operating and financial review included in the quarterly earnings release of the Issuer for the applicable fiscal quarter; and within 90 days after the end of each of the first three fiscal quarters of each of the Issuer's fiscal year, as applicable, if required under IFRS, a pro forma interim condensed consolidated income statement and a statement of financial position of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; provided that such pro forma financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financial statements to the extent available without unreasonable expense, provided that for so long as the Issuer maintains a listing on the Nasdaq Stockholm Exchange, the quarterly reports filed by the Issuer as required by the rules of the Nasdaq Stockholm Exchange shall be deemed to fulfill the requirements of this clause (b); and

(c) within 10 days after the occurrence of any material acquisition, disposition or restructuring of or Chief Financial Officer at the Issuer, or a change in the auditors of the Issuer, or any other material event that the Issuer announces publicly, a press release or report containing a description of such event.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3 2(b), the Issuer will furnish to Holders, holders of beneficial owners and prospective purchasers of the Notes upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Issuer will also make available copies of all reports furnished to the Trustee (i) on the Issuer's website, and (ii) for so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and to the extent that the rules and regulations of the Luxembourg Stock Exchange so require, copies of such reports will be available during normal business hours at the offices of the paying agent in London.

So long as any Notes are outstanding, the Issuer will also:

(i) hold a conference call (X) within ten Business Days after furnishing to the Trustee the quarterly reports required of the Issuer by clauses (a) and (b) of the first paragraph of this covenant (the "Noteholder Reports") to discuss the Noteholder Reports and the results of operations of the Issuer for the relevant reporting period or (Y) for so long as the Issuer has its common equity shares listed on the Nasdaq Stockholm Exchange and remains subject to their listing rules and reporting requirements and such reporting requirements require that the Issuer provide annual and quarterly reports to its common equity shareholders (the "Equityholder Reports") within the applicable period required by such reporting requirements, to discuss the Equityholder Reports and the results of operations of the Issuer for the relevant reporting period; and

(ii) issue a press release to an internationally recognized wire service or provide notice on the Issuer's website on which Noteholder Reports are posted, in each case no fewer than three Business Days prior to the date of the conference call required by the foregoing clause (i), announcing the time and date of such conference call and either including all information necessary to access the call or directing Holders, beneficial owners of the Notes, prospective investors, broker dealers and securities analysts to contact the appropriate person at the Issuer to obtain such information.

Maintenance of listing

The Issuer will use its commercially reasonable efforts to obtain and maintain the listing of the Notes on the official list of the Luxembourg Stock Exchange and their admission to trading on the Euro MTF Market for so long as any Notes remain Outstanding; provided that if the Issuer is unable to obtain admission to listing of the Notes on the official list of the Luxembourg Stock Exchange and their admission to trading on the Euro MTF Market or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of the Notes on another recognized stock exchange.

Limitation on lines of business

The Issuer, together with its Subsidiaries, will not primarily engage in any business other than in a Related Business.

Suspension of certain covenants when notes rated investment grade

If on any date following the Issue Date:

(a) the Notes are rated Investment Grade by two of three Rating Agencies; and

(b) no Default or Event of Default shall have occurred and be continuing on such date, then, the Issuer will notify the Trustee and beginning on that day and continuing until such time, if any, at which the Notes cease to be rated Investment Grade by either Rating Agency (such period, the "Suspension Period"), the covenants specifically listed under the following

captions in this "*Description of the Notes*" will no longer be applicable to the Notes and any related default provisions of the Indenture will cease to be effective and will not be applicable to the Issuer and its Subsidiaries:

(i) "—Limitation on Asset Dispositions";

(ii) "—Limitation on Debt"; and

(iii) clause (c) of the first paragraph of the covenant described under "*Merger, Consolidations or Certain Sales of Assets of the Issuer*."

Such covenants will not, however, be of any effect with regard to the actions of Issuer and its Subsidiaries properly taken during the continuance of the Suspension Period; provided that all Debt Incurred during the Suspension Period will be classified to have been Incurred pursuant to clause (ii) of the definition of Permitted Debt. Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Merger, consolidations and certain sales of assets of the Issuer

The Issuer may not, in a single transaction or a series of related transactions, (i) consolidate with or merge into any other Person, or (ii) directly or indirectly, convey, transfer, sell, lease or otherwise dispose of all or substantially all of the its assets to any other Person, unless:

(a) either (i) the Issuer is the surviving corporation; or (ii) the Person formed by or surviving any such consolidation or merger or to which such sale, assignment, transfer, conveyance or other disposition has been made (A) shall expressly assume, by a supplemental indenture executed and delivered to the Trustee in form satisfactory to the Trustee, all of the Issuer's obligations under the Indenture and (B) is organized under the laws of any member state of the European Union, Norway, Switzerland, Canada, Jersey, Guernsey, Mauritius, Cayman Islands, British Virgin Islands, any state of the United States of America or the District of Columbia;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(c) with respect to a consolidation, merger, conveyance, transfer, sale, lease or other disposal of the Issuer, immediately after giving effect to such transaction and treating any Debt which becomes the Issuer's or any of its Subsidiaries' obligation, as applicable, or that of the Person formed by or surviving any such consolidation or merger (if other than the Issuer), as a result of such transaction as having been Incurred at the time of the transaction, (x) the Issuer (including any successor Person) could Incur at least $1.00 of additional Debt pursuant to the first paragraph under the heading "*—Certain Covenants—Limitation on Debt*" or (y) the Net Leverage Ratio would not be greater than such ratio before giving effect to such transactions; provided, however, that this clause (c) will not apply if, in the good faith determination of the Issuer's Board of Directors the principal purpose of such transaction is to change the Issuer's jurisdiction of incorporation; and

(d) the Issuer delivers to the Trustee an Officer's Certificate stating that such consolidation, merger or transfer and such supplemental indenture comply with this covenant.

The Indenture will provide that upon any consolidation or merger in which the Issuer is not the continuing corporation or any transfer (excluding any lease) of all or substantially all of the assets of the Issuer in accordance with the foregoing, the successor Person shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture with the same effect as if such successor Person had been named as such.

Limited Condition Transaction

In connection with any action being taken in connection with a Limited Condition Transaction, for purposes of determining compliance with any provision of the Indenture which requires that no Default or Event of Default, as applicable, has occurred, is continuing or would result from any such action, as applicable, such condition shall, at the option of the Issuer, be deemed satisfied, so long as no Default or Event of Default, as applicable, exists on the date the definitive agreement (or other relevant definitive documentation) for such Limited Condition Transaction is entered into. For the avoidance of doubt, if the Issuer has exercised its option under the first sentence of this paragraph, and any Default or Event of Default occurs following the date such definitive agreement for a Limited Condition Transaction is entered into and prior to the consummation of such Limited Condition Transaction, any such Default or Event of Default shall be deemed to not have occurred or be continuing for purposes of determining whether any action being taken in connection with such Limited Condition Transaction is permitted hereunder.

In connection with any action being taken in connection with a Limited Condition Transaction for purposes of:

(1) determining compliance with any provision of the Indenture which requires the calculation of any financial ratio or test, including the Net Leverage Ratio; or

(2) testing baskets set forth in the Indenture (including baskets measured as a percentage of Total Assets);

in each case, at the option of the Issuer (the Issuer's election to exercise such option in connection with any Limited Condition Transaction, an "**LCT Election**"), the date of determination of whether any such action is permitted hereunder, shall be deemed to be the date the definitive agreement (or other relevant definitive documentation) for such Limited Condition Transaction is entered into (the "**LCT Test Date**"); *provided*, *however*, that the Issuer shall be entitled to subsequently elect, in its sole discretion, the date of consummation of such Limited Condition Transaction instead of the LCT Test Date as the applicable date of determination, and if, after giving pro forma effect to the Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof), as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of "Consolidated EBITDA" and "Net Leverage Ratio", the Issuer or any Subsidiary could have taken such action on the relevant LCT Test Date in compliance with such ratio, test or basket, such ratio, test or basket shall be deemed to have been complied with.

If the Issuer has made an LCT Election and any of the ratios, tests or baskets for which compliance was determined or tested as of the LCT Test Date are exceeded as a result of fluctuations in any such ratio, test or basket, including due to fluctuations in Consolidated EBITDA or Total Assets, of the Issuer and its Subsidiaries at or prior to the consummation of the relevant transaction or action, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations. If the Issuer has made an LCT Election for any Limited Condition Transaction, then in connection with any subsequent calculation of any ratio, test or basket availability under the Indenture (including with respect to the Incurrence of Debt or Liens, or the making of Asset Dispositions, acquisitions, mergers, the conveyance, lease or other transfer of all or substantially all of the assets of the Issuer or any Subsidiary or the designation of an Unrestricted Subsidiary) on or following the relevant LCT Test Date and prior to the earlier of the date on which such Limited Condition Transaction is consummated or the definitive agreement for such Limited Condition Transaction is terminated or expires without consummation of such Limited Condition Transaction, any such ratio, test or basket shall be calculated on a pro forma basis assuming such Limited Condition Transaction and other transactions in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) have been consummated.

Events of default

The following will be Events of Default under the Indenture:

(a) failure to pay principal of, or premium, if any, on, any Note when due (at maturity, upon redemption or otherwise);

(b) failure to pay any interest (including Additional Amounts) on any Note when due, which failure continues for 30 days;

(c) default in the payment of principal and interest on Notes required to be purchased pursuant to an Offer to Purchase as described under "*—Change of Control*" and "*—Certain Covenants—Limitation on Asset Dispositions*" when due and payable;

(d) failure to perform or comply with the provisions described under "*—Merger, Consolidations and Certain Sales of Assets of the Issuer*";

(e) failure of the Issuer to perform any other of the covenants or agreements under the Indenture or the Notes, which failure continues for 60 days after written notice to the Issuer by the Trustee or Holders of at least 25% in aggregate principal amount of Outstanding Notes;

(f) default under the terms of any instrument evidencing or securing Debt for money borrowed by the Issuer or any of its Subsidiaries, if that default:

(i) results in the acceleration of the payment of such Debt prior to its Stated Maturity; or

(ii) is caused by the failure to pay such Debt at its Stated Maturity after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the Stated Maturity of such Debt has not been extended,

and, in each case, the outstanding principal amount of any such Debt under which there has been a failure to pay at Stated Maturity thereof or the payment of which has been so accelerated, aggregates $100 million or more;

(g) failure by the Issuer or any of its Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of $100 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect; and

(h) certain events of bankruptcy, insolvency or reorganization affecting the Issuer or any of its Subsidiaries that is a Significant Subsidiary or group of its Subsidiaries that, taken together, would constitute a Significant Subsidiary.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default shall occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of the Holders, unless such Holders shall have offered to the Trustee indemnity and/or security satisfactory to it.

The Issuer will be required to furnish to the Trustee annually a statement as to its performance of certain of their respective obligations under the Indenture and as to any default in such performance.

Acceleration of the Notes

If an Event of Default specified in clause (h) above shall occur, the maturity of all Outstanding Notes shall automatically be accelerated and the principal amount of the Notes, together with any premium, accrued interest or Additional Amounts thereon, shall be immediately due and

payable. If any other Event of Default shall occur and be continuing, the Trustee or the Holders of not less than 25% of the aggregate principal amount of the Notes then Outstanding may, by written notice to the Issuer (and to the Trustee if given by Holders), declare the principal amount of the Notes, together with accrued interest thereon, immediately due and payable. The right of the Holders to give such acceleration notice shall terminate if the event giving rise to such right shall have been cured before such right is exercised. Any such declaration may be annulled and rescinded by written notice from the Trustee or the Holders of a majority of the aggregate principal amount of the Notes then outstanding to the Issuer if all amounts then due with respect to the Notes are paid (other than amount due solely because of such declaration) and all other defaults with respect to the Notes are cured.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any Holders, unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it. The Holders of a majority in aggregate principal amount of the Outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, to the extent such action does not conflict with the provisions of the Indenture or applicable law.

No Holder of any Note will have any right to institute any proceeding with respect to the Indenture or the Notes or for any remedy thereunder, unless (i) such Holder has previously given to the Trustee written notice of a continuing Event of Default, (ii) the Holders of at least 25% in aggregate principal amount of the Outstanding Notes shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee, such Holder or Holders have offered to the Trustee indemnity and/or security satisfactory to it, the Trustee for 60 days after receipt of such notice has failed to institute any such proceeding and (iii) no direction inconsistent with such request shall have been given to the Trustee during such 60 day period by the Holders of a majority in principal amount of the Outstanding Notes. However, such limitations do not apply to a suit individually instituted by a Holder of a Note for enforcement of payment of the principal of, or interest on, such Note on or after respective due dates expressed in such Note.

Modification and waivers

The Issuer and the Trustee may, without the consent of the Holders of the Notes, amend, waive or supplement the Indenture for certain specific purposes, including, among other things, curing ambiguities, defects or inconsistencies, or making any other provisions with respect to matters or questions arising under the Indenture or the Notes or making any other change that will not adversely affect the interest of any Holder of the Notes in any material respect.

Modifications and amendments of the Indenture may be made by the Issuer and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Outstanding Notes; provided, however, that no such modification or amendment may, without the consent of the Holders of 90% of the aggregate principal amount of then Outstanding Notes affected thereby:

(a) change the Stated Maturity or the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, (or premium) or interest on (or rate thereof), any Note;

(c) change the place or currency of payment of principal of (or premium), or interest on, any Note;

(d) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(e) reduce the above stated percentage of Outstanding Notes necessary to modify or amend the Indenture;

(f) reduce the percentage of aggregate principal amount of Outstanding Notes necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults; or

(g) following the mailing of any Offer to Purchase, modify any Offer to Purchase for the Notes required under the "*—Certain Covenants—Limitation on Asset Dispositions*" and the "*—Change of Control*" covenants contained in the Indenture in a manner adverse to the Holders thereof.

The Holders of a majority in aggregate principal amount of the Outstanding Notes, on behalf of all Holders of Notes, may waive compliance by the Issuer with certain restrictive provisions of the Indenture. Subject to certain rights of the Trustee, as provided in the Indenture, the Holders of a majority in aggregate principal amount of the Outstanding Notes, on behalf of all Holders of the Notes, may waive any past default under the Indenture, except a default in the payment of principal, premium or interest or a default arising from failure to purchase any Note tendered pursuant to an Offer to Purchase.

Satisfaction and discharge of the Indenture

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(a) either:

(i) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in each case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

(b) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(c) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Defeasance

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes ("**Legal Defeasance**") except for:

(a) the rights of Holders of Outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and

(d) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer released with respect to certain covenants (including its obligation to make an Offer to Purchase all Outstanding Notes upon the occurrence of a Change of Control Triggering Event and Excess Proceeds Offers) that are described in the Indenture ("**Covenant Defeasance**") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "*—Events of Default*" (except those relating to payments on the Notes or, solely with respect to the Issuer, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination of cash in U.S. dollars and non-callable Government Securities, in each case, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on their Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (ii) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the beneficial owners of the Outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that the beneficial owners of the Outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer or others; and

(e) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

No liability of directors, officers, employees, incorporators, members and stockholders

None of the directors, officers, employees, incorporators, members or stockholders, as such, of the Issuer, will have any liability for any of the Issuer's obligations under the Notes or the Indenture, or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. This waiver may not be effective to waive liabilities under applicable securities laws.

Notices

Notice regarding the redemption of or an Offer to Purchase the Notes will be (1) if Global Notes are outstanding, provided to the depositary for such global Notes as the registered owner thereof and published in a leading newspaper having a general circulation in New York City (which is expected to be the *Wall Street Journal*) and London (which is expected to be the *Financial Times*) or (2) in the case of definitive Notes, mailed to holders of such definitive Notes by first class mail at their respective addresses as they appear on the registration books of the Registrar. In addition to the foregoing, all notices to Holders of the Notes will, if and so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of such stock exchange so require, be published in a daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and be provided to the Luxembourg Stock Exchange. If and so long as the Notes are listed on any other securities exchange, notices will also be given in accordance with any applicable requirements of such securities exchange. If and for so long as any Notes are represented by one or more Global Notes and ownership of Book-Entry Interests therein are shown on the records of DTC, Euroclear or Clearstream, or any successor or other clearing agency appointed by the book-entry depositary at the Issuer's request, notices will also be delivered to each such clearing agency for communication to the owners of such Book-Entry Interests. Notices given by publication will be deemed given on the first date on which publication is made and notices given by first class mail, postage prepaid, will be deemed given five calendar days after mailing.

Concerning the trustee

Except during the continuance of an Event of Default of which a responsible officer of the Trustee has actual knowledge, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

Prescription

Claims against the Issuer for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing law

The Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York. For the avoidance of doubt, articles 84 to 94-8 of the Luxembourg law on

commercial companies dated August 10, 1915 (as amended) (the "**Luxembourg Companies Law**") are excluded.

Submission to jurisdiction; waivers

The Issuer will irrevocably and unconditionally:

(a) submit itself and its property in any legal action or proceeding relating to the Indenture to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the general jurisdiction of the Courts of the State of New York, sitting in the Borough of Manhattan, The City of New York, the courts of the United States of America for the Southern District of New York, appellate courts from any thereof and courts of its own corporate domicile, with respect to actions brought against it as defendant;

(b) consent that any such action or proceeding may be brought in such courts and waive any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to the Indenture, the Notes or the transactions contemplated hereby; and

(d) appoint CT Corporation System, currently having an office at 111 Eighth Avenue, New York, New York 10011, as its agent to receive on its behalf service of all process in any such action or proceeding, such service being hereby acknowledged by the Issuer to be effective and binding in every respect.

Certain definitions

"**Acquired Debt**" means Debt of the Issuer or its Subsidiary:

(a) Incurred and outstanding on the date on which a Subsidiary (i) was acquired by the Issuer or any of its Subsidiaries or (ii) is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or its Subsidiary; or

(b) Incurred to provide all or part of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Subsidiary of the Issuer or was otherwise acquired by the Issuer or its Subsidiary; provided that, after giving pro forma effect to the transactions by which such Person became a Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with the Issuer or its Subsidiary, (i) the Issuer would have been able to Incur $1.00 of additional Debt pursuant to the first paragraph of "*—Certain Covenants—Limitation on Debt*"; or (ii) the Net Leverage Ratio would not be greater than such ratio before giving effect to such transactions.

Acquired Debt shall be deemed to have been Incurred, with respect to clause (a) on the date such Person becomes a Subsidiary and, with respect to clause (b) on the date of consummation of such acquisition of asests.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Applicable Redemption Premium**" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

(i) the present value at such redemption date of: (x) the redemption price of such Note at September 15, 2022 (such redemption price being set forth in the table appearing below the caption "*—Optional Redemption—Optional Redemption on or after September 15, 2022*"); plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and September 15, 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points; over

(ii) the outstanding principal amount of the Note.

For the avoidance of doubt, the calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or the paying agent.

"**Asset Disposition**" means any transfer, conveyance, sale, lease or other disposition by the Issuer or any of its Subsidiaries (including a consolidation or merger or other sale of any such Subsidiary with, into or to another Person in a transaction in which such Subsidiary ceases to be a Subsidiary of the Issuer, but excluding a disposition by a Subsidiary of the Issuer to the Issuer or a Subsidiary of the Issuer which is an 80% or more owned Subsidiary of the Issuer) of (i) shares of Capital Stock (other than directors' qualifying shares and shares to be held by third parties to satisfy applicable legal requirements) or other ownership interests of a Subsidiary of the Issuer, (ii) substantially all of the assets of the Issuer or any of its Subsidiaries representing a division or line of business or (iii) other assets or rights of the Issuer or any of its Subsidiaries outside of the ordinary course of business; provided that the term "**Asset Disposition**" shall not include:

(a) any dispositions of assets in a single transaction or series of transactions with an aggregate Fair Market Value in any calendar year of not more than the greater of (x) $25 million and (y) 1% of Total Assets (with unused amounts in any calendar year being carried over to the next succeeding year subject to a maximum of the greater of $25 million and 1% of Total Assets of carried over amounts for any calendar year);

(b) any disposition of Tower Equipment, including any Sale/Leaseback Transaction; *provided* that any cash or Cash Equivalents received in connection with such disposition or Sale/Leaseback Transaction must be applied in accordance with the covenant described under the heading "*—Certain Covenants—Limitation on Asset Dispositions*"

(c) a transfer of assets between or among the Issuer and any of its Subsidiaries;

(d) the issuance of Capital Stock by a Subsidiary to the Issuer or to another Subsidiary of the Issuer;

(e) any disposition of Capital Stock of a Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or its Subsidiary) from whom such Subsidiary was acquired or from whom such Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(f) the sale, lease or other transfer of products, services, accounts receivable, inventory or other assets in the ordinary course of business and any sale or other disposition of damaged, surplus, worn-out or obsolete assets;

(g) dispositions in connection with Permitted Liens;

(h) any other disposal of assets comprising in aggregate percentage value 10% or less of Total Assets;

(i) disposals of assets, rights or revenue not constituting part of the Related Business and other disposals of non-core assets acquired in connection with any acquisition permitted under the Indenture;

(j) licenses and sublicenses of the Issuer or any of its Subsidiaries in the ordinary course of business;

(k) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(l) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings;

(m) the granting of Liens not prohibited by the covenant described under the heading "*—Certain Covenants—Limitation on Liens Securing Debt*";

(n) a transfer or disposition of assets that is governed by the provisions of the Indenture described under the heading "*—Merger, Consolidations and Certain Sales of Assets of the Issuer*";

(o) the sale or other disposition of cash or Cash Equivalents;

(p) the foreclosure, condemnation or any similar action with respect to any property or other assets;

(q) sales of accounts receivable and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" to a Receivables Entity, and Investments in a Receivables Entity consisting of cash or Securitization Obligations;

(r) any disposition or expropriation of assets or Capital Stock which the Issuer or any Subsidiary is required by, or made in response to concerns raised by, a regulatory authority or court of competent jurisdiction; (r) any disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(s) disposal of non-core assets acquired in connection with any acquisition permitted under the Indenture;

(t) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Subsidiary to such Person;

(u) any disposition of investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; provided that any cash or Cash Equivalents received in such disposition is applied in accordance with the requirements set forth under the heading "*—Certain Covenants—Limitation on Asset Dispositions*";

(v) any sale or disposition with respect to property built, repaired, improved, owned or otherwise acquired by the Issuer or any Subsidiary pursuant to customary sale and leaseback transactions, asset securitizations and other similar financings permitted by the Indenture; and

(w) any dispositions constituting the surrender of tax losses by the Issuer or a Subsidiary (i) to Issuer or a Subsidiary; (ii) in order to eliminate, satisfy or discharge any tax liability of any Person that was formerly a Subsidiary of the Issuer which has been disposed of pursuant to a disposal permitted by the terms of the Indenture, to the extent that the Issuer or a Subsidiary would have a liability (in the form of an indemnification obligation or otherwise) to one or more Persons in relation to such tax liability if not so eliminated, satisfied or discharged.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d 3 and Rule 13d 5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "**Beneficially Owns**" and "**Beneficially Owned**" have a corresponding meaning.

"**Board of Directors**" means:

(a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;

(c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

"**Business Day**" means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York, London or Luxembourg, are authorized or obligated by law or executive order to close.

"**Capital Lease Obligation**" of any Person means the obligation to pay rent or other payment amounts under a lease of real or personal property of such Person which is required to be classified and accounted for as a capital lease on the face of a statement of financial position of such Person in accordance with IFRS. The Stated Maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of Debt represented by such obligation shall be the capitalized amount thereof that would appear on the face of a statement of financial position of such Person in accordance with IFRS.

"**Capital Stock**" of any Person means any and all shares, interests, participation or other equivalents (however designated) of corporate stock or other equity participation, including partnership interests, whether general or limited, of such Person.

"**Cash Equivalents**" means, with respect to any Person:

(a) (i) Government Securities and (ii) any direct obligations of, or obligations guaranteed by, a member of the European Union for the payment of which obligations or guarantee the full faith and credit of such member of the European Union is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein;

(b) term deposit accounts (excluding current and demand deposit accounts), certificates of deposit and Eurodollar time deposits and money market deposits and bankers' acceptances, in each case, issued by or with (i) Banco Itau` BBA, Barclays, BNP Paribas, Citigroup, Credit Agricole CIB, DNB, Goldman Sachs, J.P. Morgan, Morgan Stanley, Nordea, Royal Bank of Scotland, Scotiabank, and their respective affiliates, (ii) a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, Switzerland, Canada, Australia or any member state of the European Union, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of $100 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A3/A-" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act), or (iii) any money market fund sponsored by a U.S. registered broker dealer or mutual fund distributor;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b)(i) and (ii) entered into with any financial institution meeting the qualifications specified in clause (b)(ii) above;

(d) commercial paper having one of the two highest ratings obtainable from Fitch or Moody's and in each case maturing within 365 days after the date of acquisition;

(e) money market funds mutual funds at least 95% of the assets of which constitute Cash Equivalents of the types described in clauses (a) through (d) of this definition; and

(f) with respect to any Person organized under the laws of, or having its principal business operations in, a jurisdiction outside the United States, the United Kingdom or the European Union, those investments that are of the same type as investments in clauses (a), (c) and (d) of this definition except that the obligor thereon is organized under the laws of the country (or any political subdivision thereof) in which such Person is organized or conducting business.

"**Clearstream**" means Clearstream Banking, société anonyme.

"**Consolidated EBITDA**" means, for any period, operating profit, as such amount is determined in the Issuer's consolidated income statement in accordance with IFRS, plus the sum of the following amounts, in each case, without double counting. Losses shall be added (as a positive number) and gains shall be deducted, in each case, to the extent such amounts were included in calculating operating profit:

(i) depreciation and amortization expenses, as indicated in the Issuer's consolidated statement of cash flows;

(ii) the net loss or gain on the disposal and impairment of assets, as indicated in the Issuer's consolidated statement of cash flows;

(iii) share-based compensation expenses, as indicated in the Issuer's consolidated statement of cash flows;

(iv) at the Issuer's option, other non-cash charges reducing operating profit (provided that if any such non-cash charge represents an accrual of or reserve for potential cash charges in any future period, the cash payment in respect thereof in such future period shall reduce operating profit to such extent, and excluding amortization of a prepaid cash item that was paid in a prior period) less other non-cash items of income increasing operating income (excluding any such non-cash item of income to the extent it represents (x) a receipt of cash payments in any future period, (y) the reversal of an accrual or reserve for a potential cash item that reduced operating income in any prior period and (z) any non-cash gains with respect to cash actually received in a prior period so long as such cash did not increase operating income in such prior period);

(v) any material extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs, acquisition costs, disposition costs, business optimization, information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or postretirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(vi) at the Issuer's option, the effects of adjustments in its consolidated financial statements pursuant to IFRS (including inventory, property, equipment, software, goodwill, intangible assets, in process research and development, deferred revenue and debt line items) attributable to the application of recapitalization accounting or acquisition accounting, as the case may be, in relation to any consummated acquisition or joint venture investment or the amortization or write-off or write-down of amounts thereof, net of taxes;

(vii) any reasonable expenses, charges or other costs related to any Equity Offering, Investment, acquisition, disposition, recapitalization or the Incurrence of any Debt, in each

case, as determined in good faith by a responsible financial or accounting officer of the Issuer;

(viii) any gains or losses on associates;

(ix) any unrealized gains or losses due to changes in the fair value of equity Investments;

(x) any unrealized gains or losses due to changes in the fair value of Permitted Interest Rate, Currency or Commodity Price Agreements;

(xi) any unrealized gains or losses due to changes in the carrying value of put options in respect of Capital Stock of, or voting rights with respect to, any Subsidiary, joint venture or associate;

(xii) any unrealized gains or losses due to changes in the carrying value of call options in respect of Capital Stock of, or voting rights with respect to, any Subsidiary, joint venture or associate;

(xiii) any net foreign exchange gains or losses;

(xiv) at the Issuer's option, any adjustments to reduce the impact of the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies;

(xv) accruals and reserves that are established or adjusted within twelve months after the closing date of any acquisition that are so required to be established or adjusted as a result of such acquisition that are so required to be established as a result of such acquisition in accordance with IFRS;

(xvi) (p) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as the Issuer or a Subsidiary has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period);

(xvii) the amount of proceeds received from business interruption insurance and reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets;

(xviii) any net gain (or loss) realized upon any Sale/Leaseback Transaction that is not sold or otherwise disposed of in the ordinary course of business, determined in good faith by a responsible financial or accounting officer of the Issuer;

(xix) the amount of loss on the sale or transfer of any assets in connection with an asset securitization program, receivables factoring transaction or other receivables transaction (including, without limitation, a Qualified Receivables Transaction); and

(xx) Specified Legal Expenses.

For the purposes of calculating Consolidated EBITDA for any period, as of such date of determination:

(i) if, since the beginning of such period the Issuer or any Subsidiary has made any Asset Disposition or disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**"), including any Sale occurring in connection with a transaction causing a calculation to be made hereunder, then Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(ii) if, since the beginning of such period the Issuer or any Subsidiary (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, then Consolidated EBITDA for such period will be calculated after giving pro forma effect thereto as if such Purchase occurred on the first day of such period;

(iii) if, since the beginning of such period any Person (that became a Subsidiary or was merged with or into the Issuer or any Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clauses (i) or (ii) above if made by the Issuer or a Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period, including anticipated synergies and cost savings as if such Sale or Purchase occurred on the first day of such period;

(iv) whenever *pro forma* effect is applied, the pro forma calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including in respect of anticipated synergies and cost savings) as though the full effect of synergies and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate cost savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Issuer) of cost savings programs that have been initiated by the Issuer or its Subsidiaries as though such cost savings programs had been fully implemented on the first day of the relevant period; and

(v) for the purposes of determining the amount of Consolidated EBITDA under this definition denominated in a foreign currency, the Issuer may, at its option, calculate the U.S. Dollar equivalent amount of such Consolidated EBITDA based on either (i) the weighted average exchange rates for the relevant period used in the consolidated financial statements of the Issuer for such relevant period or (ii) the relevant currency exchange rate in effect on the Issue Date.

For the purpose of calculating the Consolidated EBITDA of the Issuer, any Joint Venture Consolidated EBITDA shall be added to the amount determined in accordance with the foregoing.

"**Consolidated Net Debt**" means, with respect to the Issuer as of any date of determination, the sum without duplication of (1) the total amount of Debt of the Issuer and its Subsidiaries on a consolidated basis, *minus* (2) the sum without duplication of (i) all Debt outstanding under Minority Shareholder Loans, (ii) any Debt which is a contingent obligation of the Issuer or its Subsidiaries on such date, (iii) all Debt permitted by clause (iii) of the definition of "Permitted Debt" under the heading "*—Certain Covenants—Limitation on Debt*," (iv) all Debt permitted by clause (xvii) of the definition of "Permitted Debt" under the heading "*—Certain Covenants—Limitation on Debt*", and (v) all Debt outstanding under any Capital Lease Obligation or operating lease; *minus* (3) the amount of cash and Cash Equivalents (other than cash or Cash Equivalents received from the Incurrence of Debt by the Issuer or any of its Subsidiaries to the extent such cash or Cash Equivalents has not been subsequently applied or used for any purpose not prohibited by the Indenture) of the Issuer and its Subsidiaries on a consolidated basis that would be stated on the statement of financial position of the Issuer as of such date in accordance with IFRS, excluding, for the avoidance of doubt, Restricted Cash.

"**Credit Facility**" means, a debt facility, arrangement, instrument, trust deed, note purchase agreement, indenture, purchase money financing, commercial paper facility or overdraft facility with banks or other institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of

credit or other Debt, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended, in whole or in part from time to time, and in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including, but not limited to, any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "**Credit Facility**" shall include any agreement or instrument (i) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (ii) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (iii) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (iv) otherwise altering the terms and conditions thereof.

"**Debt**" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(i) the principal of and premium, if any, in respect of every obligation of such Person for money borrowed;

(ii) the principal of and premium, if any, in respect of every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(iii) every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such Person (but only to the extent such obligations are not reimbursed within 30 days following receipt by such Person of a demand for reimbursement); and

(iv) the principal component of every obligation of the type referred to in clauses (i) through (iii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise to the extent not otherwise included in the Debt of such Person.

The "amount" or "principal amount" of Debt at any time of determination as used herein represented by (x) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with IFRS, (y) any Redeemable Stock, shall be the maximum fixed redemption or repurchase price in respect thereof; and (z) any amount of Debt that has been cash-collateralized, to the extent so cash-collateralized, shall be excluded from any calculation of Debt. Notwithstanding anything else to the contrary, for all purposes under the Indenture, the amount of Debt Incurred, repaid, redeemed, repurchased or otherwise acquired by a Subsidiary of the Issuer shall equal the liability in respect thereof determined in accordance with IFRS and reflected on the Issuer's consolidated statement of financial position.

The term "**Debt**" shall not include:

(a) obligations described in clauses (i) or (ii) of the first paragraph of this definition of Debt that are Incurred by a Subsidiary of the Issuer (the "**Proceeds Recipient**") and owed to a bank or other lending institution (the "**On Lend Bank**") to facilitate the substantially concurrent on lending of proceeds (the "**Proceeds On Loan**") from Debt Incurred by the Issuer or any of its Subsidiaries (other than the Proceeds Recipient) as permitted by the covenant described under the heading "*—Certain Covenants—Limitation on Debt*" (the "**Initial Debt**") to the extent (i) the principal obligations in respect of the Proceeds On Loan are secured by security over cash granted in favor of the On Lend Bank or any of its affiliates in an amount not less than the principal amount of the Proceeds On Loan or (ii) the Proceeds On Loan is put in place substantially concurrently with a loan by the Issuer or any of its Subsidiaries (other than the Proceeds Recipient) to the On Lend Bank (the "**On Lend Bank Borrowing**") pursuant to which the Proceeds Recipient is entitled to reduce the principal amount of the Proceeds On

Loan by an amount equal to the principal amount of the On Lend Bank Borrowing if a default or acceleration occurs with respect to such On Lend Bank Borrowing; or (iii) the substantial risks and rewards of the Proceeds On Loan are transferred, using a synthetic instrument or any other arrangement or agreement, from the On Lend Bank to the Issuer or any of its Subsidiaries (other than the Proceeds Recipient) in exchange for an amount not less than (x) the amount of cash granted in favor of the On Lend Bank or any of its affiliates or (y) the outstanding amount of the On Lend Bank Borrowing, as applicable, in each case as at the effective date of such transfer;

(b) any liability of the Issuer or any of its Subsidiaries (other than the Proceeds Recipient) attributable to a synthetic instrument or any other arrangement or agreement described in paragraph (a)(iii) above to the extent such obligation under the relevant instrument, arrangement or agreement has not come due but is classified as a financial liability in accordance with IFRS and recorded as a current liability on the Issuer's consolidated statement of financial position;

(c) any Restricted MFS Cash;

(d) any liability of the Issuer attributable to a put option or similar instrument, arrangement or agreement entered into after the Issue Date granted by the Issuer relating to an interest in any other entity, in each case to the extent such option has not been exercised or such obligation under the relevant instrument, arrangement or agreement has not come due but is classified as a financial liability in accordance with IFRS, and recorded as a current liability on the Issuer's consolidated statement of financial position;

(e) any standby letter of credit, performance bond or surety bond provided by the Issuer or any Subsidiary that are customary in the Related Business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon, are honored in accordance with their terms;

(f) any deposits or prepayments received by the Issuer or a Subsidiary from a customer or subscriber for its service and any other deferred or prepaid revenue;

(g) any obligations to make payments in relation to earn outs;

(h) Debt which is in the nature of equity (other than redeemable shares) or equity derivatives;

(i) Capitalized Lease Obligations or operating leases;

(j) receivables sold or discounted, whether recourse or non-recourse, including for the avoidance of doubt any debt in respect of Qualified Receivables Transactions, including without limitation guarantees by a Receivables Entity of the obligations of another Receivables Entity;

(k) pension obligations or any obligation under employee plans or employment agreements;

(l) any "parallel debt" obligations to the extent that such obligations mirror other Debt;

(m) any payments or liability for assets acquired or services supplied deferred (including Trade Payables) in accordance with the terms pursuant to which the relevant assets were or are to be acquired or services were or are to be supplied;

(n) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any Preferred Stock (including, in each case, any accrued dividends); and

(o) the net obligations of such Person under any Permitted Interest Rate, Currency or Commodity Price Agreement.

"**Default**" means an event that with the passing of time or the giving of notice, or both would constitute an Event of Default.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(a) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(b) is convertible or exchangeable for Debt or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Subsidiary); or

(c) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of the date (a) of the Stated Maturity of the Notes or (b) on which there are no Notes outstanding, provided that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; provided, further that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) provide that the Issuer may not repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or for which it is ratable or exchangeable) pursuant to such provision prior to compliance by the Issuer with the provisions of the Indenture described under either of "*—Change of Control*" and "*—Certain Covenants—Limitation on Asset Dispositions*."

"**DTC**" means The Depository Trust Company, or its successor.

"**Equity Investor**" means Investment Kinnevik AB.

"**Equity Offering**" means a sale of Qualified Capital Stock of the Issuer or a Holding Company of the Issuer pursuant to which the net cash proceeds are contributed to the Issuer in the form of a subscription for, or a capital contribution in respect of, Qualified Capital Stock of the Issuer.

"**Euroclear**" means Euroclear Bank SA/NV or its successor.

"**European Union**" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer's Chief Executive Officer, Chief Financial Officer or responsible accounting or financial officer.

"**Fitch**" means Fitch Rating, Ltd. and its successors.

"**Government Securities**" means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein.

"**Gradation**" means a gradation within a Rating Category or a change to another Rating Category, which shall include: (i) "+" and "—" in the case of Fitch's current Rating Categories (e.g., a decline from BB+ to BB would constitute a decrease of one gradation), (ii) 1, 2 and 3 in the case of Moody's current Rating Categories (e.g., a decline from Ba1 to Ba2 would constitute a

decrease of one gradation), or (iii) the equivalent in respect of successor Rating Categories of Fitch or Moody's or Rating Categories used by Rating Agencies other than Fitch and Moody's.

"**Guarantee**" by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt;

(b) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt; or

(c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and "**Guaranteed**" and "**Guaranteeing**" shall have meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

"**Holder**" means the Person in whose name a Note is recorded on the Registrar's books.

"**Holding Company**" means any Person (other than a natural person) which legally and Beneficially Owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board or any successor board or agency as adopted by the European Union, as in effect on the Issue Date.

"**Incur**" means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation, including by acquisition of Subsidiaries (the Debt of any other Person becoming a Subsidiary of such Person being deemed for this purpose to have been incurred at the time such other Person becomes a Subsidiary), or the recording, as required pursuant to IFRS or otherwise, of any such Debt or other obligation on the statement of financial position of such Person (and "Incurrence," "Incurred," "Incurrable" and "Incurring" shall have meanings correlative to the foregoing); *provided*, *however*, that a change in IFRS that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

"**Interest Rate, Currency or Commodity Price Agreement**" of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates, currency exchange rates or commodity prices or indices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

"**Investment**" by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a Guarantee of any obligation of such other Person, together with all items that are or would be classified as Investments on a statement of financial position (excluding the footnotes thereto) prepared in accordance with IFRS, but shall not include (a) trade accounts receivable in the ordinary course of business on credit terms made generally available to the customers of such Person, or (b) commission, travel, payroll, entertainment, relocation and similar advances to officers and employees and profit sharing and other employee benefit plan contributions made in the ordinary course of business.

Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to a subsequent change in value and, to the extent applicable, shall be determined based on the equity value of such Investment.

"**Investment Grade**" means (i) BBB—or above in the case of Fitch (or its equivalent under any successor Rating Categories of Fitch), (ii) Baa3 or above, in the case of Moody's (or its equivalent under any successor Rating Categories of Moody's), and (iii) the equivalent in respect of the Rating Categories of any Rating Agencies.

"**Issue Date**" means the date on which the Notes were issued, which is expected to be on or about September 20, 2017.

"**Joint Venture Consolidated EBITDA**" means an amount equal to the product of (i) the Consolidated EBITDA of any joint venture (determined in good faith by a responsible financial or accounting officer of the Issuer on the same basis as provided for in the definition of "Consolidated EBITDA" (with the exception of clause (i) and the last sentence thereof) as if each reference to the "Issuer" in such definition was to such joint venture) whose financial results are not consolidated with those of the Issuer in accordance with IFRS and (ii) a percentage equal to the direct equity ownership percentage of the Issuer and/or its Subsidiaries in the Capital Stock of such joint venture and its Subsidiaries.

"**Lien**" means, with respect to any property or assets, any mortgage, pledge, security interest, lien, charge, encumbrance, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

"**Limited Condition Transaction**" means (i) any Investment or acquisition, in each case, by one or more of the Issuer and its Subsidiaries of any assets, business or Person whose consummation is not conditioned on the availability of, or on obtaining, third party financing and (ii) any redemption, repurchase, defeasance, satisfaction and discharge or repayment of Debt requiring irrevocable notice in advance of such redemption, repurchase, defeasance, satisfaction and discharge or repayment.

"**Minority Shareholder Loan**" means Debt of a Subsidiary of the Issuer that is issued to and held by an equity owner of such Subsidiary, other than the Issuer or a subsidiary of the Issuer.

"**Moody's**" means Moody's Investor Service, Inc. and its successors.

"**Net Available Proceeds**" from any Asset Disposition means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any assets described in clauses (iv) and (v) of the second paragraph under the heading "*—Certain Covenants—Limitation on Asset Dispositions*" and other consideration received in the form of assumption by the acquiror of Debt or other obligations relating to such properties or assets) therefrom by the Issuer or any of its Subsidiaries, net of:

(i) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, including, without limitation, legal, consultant, accounting and investment banking fees, sales commissions, discounts and brokerage costs, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition;

(ii) all payments made by the Issuer or any of its Subsidiaries, on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Debt or Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition;

(iii) all distributions and other payments made to other equity holders in the Issuer's Subsidiaries or joint ventures as a result of such Asset Disposition; and

(iv) appropriate amounts to be provided by the Issuer or any of its Subsidiaries, as the case may be, as a reserve in accordance with IFRS, against any liabilities associated with such assets and retained by the Issuer or any of its Subsidiaries, as the case may be, after such Asset Disposition, including, without limitation, liabilities under any indemnification obligations, relocation costs and severance and other employee termination costs associated with such Asset Disposition, in each case as determined by the Issuer's Board of Directors, in its reasonable good faith judgment.

"**Net Leverage Ratio**" means, with respect to the Issuer as of any date of determination when used in connection with any Incurrence (or deemed Incurrence) of Debt by the Issuer, the ratio of (a) the Consolidated Net Debt outstanding on such date to (b) the Consolidated EBITDA of the Issuer for the four most recent full fiscal quarters ending immediately prior to such date for which consolidated financial statements are available; determined, in each case, on a pro forma basis as if any such Debt had been Incurred, or such other Debt had been repaid, redeemed or repurchased, as applicable, at the beginning of such four fiscal quarter period. For the avoidance of doubt, in determining Net Leverage Ratio, no cash or Cash Equivalents shall be included that are the proceeds of Debt in respect of which the pro forma calculation is to be made.

"**Offer to Purchase**" means a written offer (the "**Offer**") sent by the Issuer by first class mail, postage prepaid, to each holder at his address appearing in the Note register on the date of the Offer offering to purchase up to the principal amount of Notes specified in such Offer at the purchase price specified in such Offer (as determined pursuant to the Indenture). Unless otherwise required by applicable law, the Offer shall specify an expiration date (the "**Expiration Date**") of the Offer to Purchase which shall be, subject to any contrary requirements of applicable law, not less than 10 days or more than 60 days after the date of such Offer and a settlement date (the "**Purchase Date**") for purchase of Notes within five Business Days after the Expiration Date. The Issuer shall notify the Trustee at least 15 Business Days (or such shorter period as is acceptable to the Trustee) prior to the mailing of the Offer of the Issuer's obligation to make an Offer to Purchase, and the Offer shall be mailed by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer. The Offer shall contain all instructions and materials necessary to enable such holders to tender Notes pursuant to the Offer to Purchase. The Offer shall also state:

(i) the Section of the Indenture pursuant to which the Offer to Purchase is being made;

(ii) the Expiration Date and the Purchase Date;

(iii) the aggregate principal amount of the Outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such has been determined pursuant to the Section of the Indenture requiring the Offer to Purchase) (the "**Purchase Amount**");

(iv) the purchase price to be paid by the Issuer for each $1,000 aggregate principal amount of Notes accepted for payment (as specified pursuant to the Indenture) (the "**Purchase Price**");

(v) that the holder may tender all or any portion of the Notes registered in the name of such holder and that any portion of a Note tendered must be tendered in minimum amounts of $200,000 and integral multiples of $1,000 in excess thereof;

(vi) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;

(vii) that interest on any Note not tendered or tendered but not purchased by the Issuer pursuant to the Offer to Purchase will continue to accrue;

(viii) that on the Purchase Date the Purchase Price will become due and payable upon each Note being accepted for payment pursuant to the Offer to Purchase and that interest thereon shall cease to accrue on and after the Purchase Date;

(ix) that each holder electing to tender a Note pursuant to the Offer to Purchase will be required to surrender such Note at the place or places specified in the Offer prior to the close of business on the Expiration Date (such Note being, if the Issuer or the Trustee so requires, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the holder thereof or his attorney duly authorized in writing);

(x) that holders will be entitled to withdraw all or any portion of Notes tendered if the Issuer (or their paying agent) receives, not later than the close of business on the Expiration Date, telex, facsimile transmission or letter setting forth the name of the holder, the principal amount of the Note the holder tendered, the certificate number of the Security the holder tendered and a statement that such holder is withdrawing all or a portion of his tender;

(xi) that (a) if Notes in an aggregate principal amount less than or equal to the Purchase Amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase all such Notes and (b) if Notes in an aggregate principal amount in excess of the Purchase Amount are tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase Notes having an aggregate principal amount equal to the Purchase Amount on a pro rata basis (with such adjustments as may be deemed appropriate so that only Notes in denominations of $1,000 or integral multiples thereof shall be purchased and provided that Notes of $200,000 or less may only be redeemed in whole and not in part); and

(xii) that in the case of any holder whose Note is purchased only in part, the Issuer shall execute, and the Trustee shall authenticate and deliver to the holder of such Note without service charge, a new Note or Notes, of any authorized denomination as requested by such holder, in an aggregate principal amount equal to and in exchange for the unpurchased portion of the Note so tendered.

Any Offer to Purchase shall be governed by and effected in accordance with the Offer for such Offer to Purchase.

The Issuer will publish notices relating to the Offer to Purchase in a leading newspaper having a general circulation in New York City (which is expected to be the *Wall Street Journal*), London (which is expected to be the Financial Times) and, for so long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

"**Officer's Certificate**" means a certificate signed by the Chairman of the Board of Directors, any Vice Chairman of the Board of Directors, any Director or Manager as the case may be, the Chief Executive Officer, the Chief Financial Officer, any Senior Vice President, or the Secretary of the Board of the Issuer, and delivered to the Trustee and, where applicable, the paying agent.

"**Outstanding**," when used with respect to Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, except:

(i) Notes theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee in trust or any paying agent (other than the Issuer) or set aside and segregated in trust by the Issuer (if the Issuer shall act as its own paying agent) for the Holders of such Notes; provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Notes which have been paid or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture, other than any such Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Issuer,

provided, *however*, that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer or any other obligor upon the Notes or any Affiliate of the Issuer or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which the Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer or any other obligor upon the Notes or any Affiliate of the Issuer or of such other obligor.

"**Pari Passu Debt**" means any Debt of the Issuer that ranks pari passu in right of payment to the Notes.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of related business assets or a combination of related business assets, cash and Cash Equivalents between the Issuer or any of its Subsidiaries and another Person.

"**Permitted Holders**" means the Equity Investor and its Related Parties.

"**Permitted Interest Rate, Currency or Commodity Price Agreement**" of any Person means any Interest Rate, Currency or Commodity Price Agreement entered into with one or more financial institutions in the ordinary course of business that is designed to protect such Person against fluctuations in interest rates or currency exchange rates or with respect to Debt Incurred and which shall have a notional amount no greater than the payments due with respect to the Debt being hedged thereby, or in the case of currency or commodity protection agreements against currency exchange or commodity price fluctuations in the ordinary course of business relating to then existing financial obligations and not for purposes of speculation.

"**Permitted Liens**" means:

(a) Liens for taxes, assessments or governmental charges or levies on the property of the Issuer or any of its Subsidiaries if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceeds promptly instituted and diligently concluded; provided that any reserve or other appropriate provision that shall be required in conformity with IFRS shall have been made therefor;

(b) Liens imposed by law, such as statutory Liens of landlords', carriers', materialmen's, repairmen's, construction, warehousemen's and mechanics' Liens and other similar Liens, on the property of the Issuer or any of its Subsidiaries arising in the ordinary course of business or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(c) Liens on the property of the Issuer or any of its Subsidiaries Incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance bids, trade contracts, letters of credit, performance or return-of-money bonds, surety bonds or other obligations of a like nature and Incurred in a manner consistent with industry practice, in each case which are not Incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the

deferred purchase price of property and which do not in the aggregate impair in any material respect the use of property in the operation of the business of the Issuer and its Subsidiaries taken as a whole;

(d) Liens on property at the time the Issuer or any of its Subsidiaries acquired such property, and Liens Incurred in anticipation of or in connection with the transaction or series of transactions pursuant to which such property was acquired by the Issuer or its Subsidiaries; provided, however, that any such Lien may not extend to any other property of the Issuer or any of its Subsidiaries;

(e) Liens on the property of a Person at the time such Person becomes a Subsidiary (including Liens created, incurred or assumed in connection with or in contemplation of such acquisition or transaction); *provided*, *however*, that any such Lien may not extend to any other property of the Issuer or any other Subsidiary that is not a direct Subsidiary of such Person (other than pursuant to after-acquired property clauses in effect with respect to such Lien at the time of acquisition on property of the type that would have been subject to such Lien notwithstanding the occurrence of such acquisition); provided further, however, that any such Lien was not Incurred in anticipation of or in connection with the transaction or series of transactions pursuant to which such Person became a Subsidiary;

(f) pledges or deposits by the Issuer or any of its Subsidiaries under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Issuer or any of its Subsidiaries is party, or deposits to secure public or statutory obligations of the Issuer or any of its Subsidiaries or deposits for the payment of rent, in each case Incurred in the ordinary course of business;

(g) utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

(h) any provision for the retention of title to any property by the vendor or transferor of such property which property is acquired by the Issuer or a Subsidiary in a transaction entered into in the ordinary course of business of the Issuer or a Subsidiary and for which kind of transaction it is customary market practice for such retention of title provision to be included;

(i) Liens arising by means of any judgment, decree or order of any court, to the extent not otherwise resulting in a Default hereunder so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree or order have not been fully terminated or the period within which such proceedings may be initiated has not expired and any Liens that are required to protect or enforce rights in any administrative, arbitration or other court proceeding in the ordinary course of business;

(j) Liens securing any Credit Facility or any Permitted Interest Rate, Currency or Commodity Price Agreement;

(k) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any of its Subsidiaries has easement rights or on any real property leased by the Issuer or any of its Subsidiaries or similar agreements relating thereto and any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(l) Liens existing on the Issue Date;

(m) Liens in favor of the Issuer;

(n) Liens on insurance policies and the proceeds thereof, or other deposits, to secure insurance premium financings in respect of the Issuer or any of its Subsidiaries;

(o) Liens arising from financing statement filings (or other similar filings in any applicable jurisdiction) regarding operating leases entered into by any Subsidiary of the Issuer in the ordinary course of business;

(p) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing Debt in respect of commercial letters of credit issued to facilitate the purchase, shipment or storage of such inventory or other goods;

(q) Liens on property of any Subsidiary of the Issuer to secure Debt Incurred by such Subsidiary pursuant to the first paragraph of the covenant described under the heading "*—Certain Covenants—Limitations on Debt*" or clauses (ix), (x), (xi), (xii) or (xiii) of the definition of Permitted Debt;

(r) Liens for the purpose of securing the payment of all or a part of the purchase price of Capital Lease Obligations or payments Incurred by the Issuer or its Subsidiaries to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; provided that such Liens do not encumber any other assets or property of the Issuer or its Subsidiaries other than such assets or property and assets affixed or appurtenant thereto;

(s) Liens on the property of the Issuer or any of its Subsidiaries to replace in whole or in part, any Lien described in the foregoing clauses (a) through (r); provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Debt being refinanced or in respect of property that is the security for a Permitted Lien hereunder;

(t) any interest or title of a lessor under any Capital Lease Obligation or operating lease;

(u) Liens on any escrow account used in connection with an acquisition of property or Capital Stock of any Person or pre-funding a refinancing of Debt otherwise permissible by the Indenture;

(v) Liens on the Issuer's and any of its Subsidiaries' deposits in favor of financial institutions arising from any netting or set-off arrangement substantially consistent with its current practice for the purpose of netting debt and credit balances substantially consistent with the Issuer's or the Subsidiaries' existing cash pooling arrangements;

(w) Liens incurred in the ordinary course of business of the Issuer or any of its Subsidiaries with respect to obligations that do not exceed the greater of $250 million or 4% of Total Assets at any one time outstanding and that do not in the aggregate materially detract from the value of the property of the Issuer, or materially impair the use thereof in the operation of business by the Issuer and its Subsidiaries;

(x) Liens over cash or other assets that secure collateralized obligations Incurred as Permitted Debt; provided that the amount of cash collateral does not exceed the principal amount of the Permitted Debt;

(y) Liens on Restricted MFS Cash in favor of the customers or dealers of, or third parties in relation to, one or more of the Issuer's Subsidiaries engaged in the provision of mobile financial services, in each case who provided such Restricted MFS Cash to the relevant Subsidiary;

(z) Liens on Receivables and related assets of the type described in the definition of "Qualified Receivables Transaction" Incurred in connection with a Qualified Receivables Transaction, and Liens on Investments in Receivables Entities;

(aa) Liens consisting of any right of set-off granted to any financial institution acting as a lockbox bank in connection with a Qualified Receivables Transaction;

(bb) Liens for the purpose of perfecting the ownership interests of a purchaser of Receivables and related assets pursuant to any Qualified Receivables Transaction;

(cc) Liens arising in connection with other sales of Receivables permitted hereunder without recourse to the Issuer or any of its Subsidiaries;

(dd) Liens on Receivables and related assets of the type specified in the definition of "Qualified Receivables Transaction" pursuant to any Qualified Receivables Transaction;

(ee) Liens for the purpose of securing the payment of all or a part of the purchase price of, or Capitalized Lease Obligations, Purchase Money Obligations or other payments Incurred to finance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business (including Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business), provided that such Liens do not encumber any other assets or property of the Issuer or any Subsidiary other than such assets or property and assets affixed or appurtenant thereto;

(ff) Liens securing Debt or other obligations of a Subsidiary owing to the Issuer or another Subsidiary;

(gg) Liens in respect of the ownership interests in, or assets owned by, any joint ventures or similar arrangements, other than joint ventures and similar arrangements that are Subsidiaries, securing obligations of such joint ventures or similar agreements;

(hh) (ii) any encumbrance or restriction (including, but not limited to, put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement; and

(ii) Liens over rights under loan agreements relating to, or over notes or similar instruments evidencing, the on-loan of proceeds received by a Subsidiary from the issuance of Debt, which Liens are created to secure payment of such Debt.

"**Permitted Refinancing Debt**" means any renewals, extensions, substitutions, defeasances, discharges, refinancings or replacements (each, for purposes of this definition and clause (viii) of the definition of Permitted Debt, a "**refinancing**") of any Debt of the Issuer or a Subsidiary of the Issuer or pursuant to this definition, including any successive refinancings, as long as:

(a) such Permitted Refinancing Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value plus all accrued interest) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) such Permitted Refinancing Debt has (i) a Stated Maturity that is either (X) no earlier than the Stated Maturity of the Debt being refinanced or (Y) after the Stated Maturity of the Notes and (ii) a Weighted Average Life to Maturity that is equal to or greater than the Weighted Average Life to Maturity of the Debt being refinanced; and

(c) if the Debt being refinanced is subordinated in right of payment to the Notes, such Permitted Refinancing Debt is subordinated in right of payment to the Notes on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Debt being refinanced; and

(d) if the Issuer was the obligor on the Debt being refinanced, such Permitted Refinancing Debt is Incurred by the Issuer.

Permitted Refinancing Debt in respect of any Credit Facility or any other Debt may be Incurred from time to time after the termination, discharge or repayment of all or any part of such Credit Facility or other Debt.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

"**Preferred Stock**" of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"**Purchase Date**" has the meaning set forth in the definition of "Offer to Purchase."

"**Purchase Money Note**" means a promissory note of a Receivables Entity evidencing the deferred purchase price of Receivables (and related assets) and/or a line of credit, which may be irrevocable, from the Issuer or any Subsidiary in connection with a Qualified Receivables Transaction with a Receivables Entity, which note is intended to finance that portion of the purchase price that is not paid in cash or a contribution of equity and which is (a) repayable from cash available to the Receivables Entity, other than (i) amounts required to be established as reserves pursuant to agreements, (ii) amounts paid to investors in respect of interest, (iii) principal and other amounts owing to such investors and (iv) amounts owing to such investors and amounts paid in connection with the purchase of newly generated Receivables and (b) may be subordinated to the payments described in clause (a).

"**Purchase Money Obligations**" means any Debt Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Stock.

"**Qualified Receivables Transaction**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Entity (in the case of a transfer by the Issuer or any of the Restricted Subsidiaries) and (2) any other Person (in the case of a transfer by a Receivables Entity), or may grant a Lien in, any Receivables (whether now existing or arising in the future) of the Issuer or any of the Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which Liens are customarily granted, in connection with asset securitization involving Receivables and any Interest Rate, Currency or Commodity Price Agreement entered into by the Issuer or any such Subsidiary in connection with such Receivables.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an "account," "chattel paper," "payment intangible" or "instrument" under the Uniform Commercial Code as in effect in the State of New York and any "supporting obligations" as so defined.

"**Receivables Entity**" means a Wholly Owned Subsidiary of the Issuer (or another Person in which the Issuer or any Subsidiary makes an Investment or to which the Issuer or any Subsidiary transfers Receivables and related assets) which engages in no activities other than in connection with the financing of Receivables and which is designated by the Board of Directors or senior management of the Issuer (as provided below) as a Receivables Entity:

(a) no portion of the Debt or any other obligations (contingent or otherwise) of which:

(i) is guaranteed by the Issuer or any Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings);

(ii) is recourse to or obligates the Issuer or any Subsidiary in any way other than pursuant to Standard Securitization Undertakings; or

(iii) subjects any property or asset of the Issuer or any Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings

except, in each such case, Permitted Liens as defined in clauses (z) through (dd) of the definition thereof;

(b) with which neither the Issuer nor any Subsidiary has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Receivables Transaction) other than on terms not materially less favorable to the Issuer or such Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing Receivables; and

(c) to which neither the Issuer nor any Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results (other than those related to or incidental to the relevant Qualified Receivables Transaction).

Any such designation by the Board of Directors or senior management of Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a certified copy of the resolution of the Board of Directors of Issuer giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"**Receivables Fees**" means reasonable distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Receivables Entity in connection with, any Qualified Receivables Transaction.

"**Receivables Repurchase Obligation**" means any obligation of a seller of Receivables in a Qualified Receivables Transaction to repurchase Receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, offset or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Rating Agency**" means each of (i) Fitch, Moody's and S&P or (ii) if any of Fitch, Moody's or S&P are not making ratings of the Notes publicly available, an internationally recognized rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for any of Fitch, Moody's, S&P, as the case may be.

"**Rating Category**" means (i) with respect to Fitch, any of the following categories (any of which may include a "+" or "—"): AAA, AA, A, BBB, BB, B, CCC, CC, C, R, SD and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories (any of which

may include a "1," "2" or "3"): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C (or equivalent successor categories), and (iii) the equivalent of any such categories of Fitch or Moody's used by another Rating Agency, if applicable.

"**Rating Date**" means the date which is the earlier of (i) 120 days prior to the occurrence of an event specified in clauses (a), (b) or (c) of the definition of Change of Control and (ii) the date of the first public announcement of the possibility of such event.

"**Redeemable Stock**" of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (pursuant to any sinking fund obligation or otherwise) or is convertible into or exchangeable for Debt or is redeemable at the option of the holder thereof, in whole or in part, at any time prior to the final Stated Maturity of the Notes.

"**Related Business**" means (i) any business, services or activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date and (ii) any business, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments thereof, including, without limitation, broadband internet, network-related services, cable television, broadcast content, network neutral services, electronic transactional, financial and commercial services related to provision of telephony or internet services.

"**Related Party**" means:

(a) any controlling stockholder, partner or member, or any 50% (or more) owned Subsidiary, of the Equity Investor; and

(b) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners, owners or Person Beneficially Owning a majority or a controlling interest of which consists of the Equity Investor and/or such other Persons referred to in clause (a).

"**Restricted Cash**" means the sum of (i) Restricted MFS Cash and (ii) without duplication, the amount of cash that would be stated as "restricted cash" on the consolidated statement of financial position of the Issuer as of such date in accordance with IFRS.

"**Restricted MFS Cash**" means, as of any date of determination, an amount equal to any cash paid in or deposited by or held on behalf of any customer or dealer of, or any other third party in relation to, one or more of the Issuer's Subsidiaries engaged in the provision of mobile financial services and designated as "restricted cash" on the consolidated statement of financial position of the Issuer, together with any interest thereon.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired whereby the Issuer or its Subsidiary transfers such property to a Person and the Issuer or any of its Subsidiaries leases it from such Person.

"**Senior Secured Debt**" means, as of any date of determination, any Debt of (a) the Issuer that is secured by a security interest in any assets of the Issuer or any of its Subsidiaries and/or (b) any Subsidiary of the Issuer, other than Debt Incurred pursuant to clauses (v) (to the extent such Guarantee is in respect of Debt otherwise permitted to be secured by a security interest in any assets of the Issuer or any of its Subsidiaries and/or Incurred by a Subsidiary of the Issuer, as applicable), (ix), (x), (xi) and (xii) of the definition of Permitted Debt.

"**Specified Subsidiary Sale**" means the sale, transfer or other disposition of all of the Capital Stock, or all of the assets or properties of, (a) any Person, the primary purpose of which is to own Tower Equipment located in any market in which the Issuer or its Subsidiaries operate; (b) any Person which operates the Issuer's or any Subsidiary of the Issuer's mobile financial services business; (c) Latin America Internet Holding GmbH; or (d) Africa Internet Holding GmbH.

"**Significant Subsidiary**" means, at the date of determination, any Subsidiary of the Issuer that together with its Subsidiaries (1) for the most recent fiscal year, accounted for more than 10% of

Consolidated EBITDA or (2) as of the end of the most recent fiscal year, was the owner of more than 10% of the consolidated assets of the Issuer.

"**S&P**" means Standard & Poor's Ratings Services.

"**Specified Legal Expenses**" means, to the extent not constituting an extraordinary, non-recurring or unusual loss, charge or expense, all attorneys' and experts' fees and expenses and all other costs, liabilities (including all damages, penalties, fines and indemnification and settlement payments) and expenses paid or payable in connection with any threatened, pending, completed or future claim, demand, action, suit, proceeding, inquiry or investigation (whether civil, criminal, administrative, governmental or investigative).

"**Standard Securitization Undertakings**" means representations, warranties, covenants and indemnities entered into by the Issuer or any Subsidiary which are reasonably customary in a securitization of Receivables transactions, including, without limitation, those relating to the servicing of the assets of a Receivables Entity, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**," when used with respect to any security or any installment of interest thereon, means the date specified in such security as the fixed date on which the principal of such security or such installment of interest is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"**Subsidiary**" of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"**Total Assets**" means the consolidated total assets of the Issuer and its Subsidiaries as shown on the Issuer's most recent consolidated statement of financial position prepared on the basis of IFRS prior to the relevant date of determination calculated to give pro forma effect to any acquisitions (including through mergers or consolidations) and dispositions that have occurred subsequent to such period, including any such acquisitions to be made with the proceeds of Debt giving rise to the need to calculate Total Assets.

"**Tower Equipment**" means passive infrastructure related to telecommunications services, excluding telecommunications equipment, but including, without limitation, towers (including tower lights and lightning rods), power breakers, deep cycle batteries, generators, voltage regulators, main AC power, rooftop masts, cable ladders, grounding, walls and fences, access roads, shelters, air conditioners and BTS batteries owned by the Issuer or any of its Subsidiaries.

"**Treasury Rate**" means, as at any redemption date, the yield to maturity as at such redemption date of United States Treasury securities with a constant maturity (as complied and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to September 15, 2022; *provided*, *however*, that if the period from the redemption date to September 15, 2022, is less than one year, the weekly average yield on actually traded United States securities adjusted to a constant maturity of one year will be used.

"**U.S. Dollar Equivalent**" means with respect to any monetary amount in a currency other than U.S. Dollars, at any time of determination thereof, the amount of U.S. Dollars obtained by translating such other currency involved in such computation into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with the applicable other currency as published in the Financial Times on the date that is two Business Days prior to such determination.

"**Voting Stock**" of any person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

"**Weighted Average Life to Maturity**" means, when applied to any Debt or Preferred Stock at any date, the number of years obtained by dividing (a) the then outstanding principal amount of such Debt or liquidation preference of such Preferred Stock, as the case may be, into (b) the total of the product obtained by multiplying (x) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal or upon mandatory redemption, including payment at final maturity, in respect thereof, by (y) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment.

"**Wholly Owned Subsidiary**" means (1) in respect of any Person, a Person, all of the Capital Stock of which (other than (a) directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law, regulation or to ensure limited liability and (b) in the case of a Receivables Entity, shares held by a Person that is not an Affiliate of the Issuer solely for the purpose of permitting such Person (or such Person's designee) to vote with respect to customary major events with respect to such Receivables Entity, including without limitation the institution of bankruptcy, insolvency or other similar proceedings, any merger or dissolution, and any change in charter documents or other customary events) is owned by that Person directly or (2) indirectly by a Person that satisfies the requirements of clause (1).

Book-entry, delivery and form

General

The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be in registered form represented by a global note without interest coupons attached (the "Regulation S Global Note" and, together with the 144A Global Note (as defined below), the "Global Notes"). The Regulation S Global Note will be deposited, on the closing date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

The Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Note"). The 144A Global Note will be deposited, on the closing date, with a custodian for DTC, and registered in the name of Cede & Co., as nominee for DTC.

Ownership of interests in the 144A Global Note ("144A Book-Entry Interests") and ownership of interests in the Regulation S Global Note (the "Regulation S Book-Entry Interest," and together with the 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear, Clearstream or DTC or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear, Clearstream, DTC and their participants.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream or DTC will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, "holders" of Book-Entry Interests will not be considered the owners or "holders" of Notes for any purpose.

So long as the Notes are held in global form, Euroclear, Clearstream and/or DTC, as applicable, (or their respective nominees) will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear, Clearstream and/or DTC and indirect participants must rely on the procedures of Euroclear, Clearstream and/or DTC and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither the Issuer, the Registrar, the Transfer Agent, any Paying Agent, nor the Trustee under the Indenture nor any of the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Issuance of definitive registered notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive Definitive Registered Notes:

- if Euroclear, Clearstream or DTC notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days;
- in whole, but not in part, if the Issuer, Euroclear, Clearstream or DTC so request following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear, Clearstream or DTC or to the Issuer following an Event of Default under the Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or DTC or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in "*Transfer Restrictions*" below, unless that legend is not required by the Indenture or applicable law.

The Issuer, the Trustee, the Paying Agent and the Registrar shall treat the registered holder of any Global Note or Definitive Note as the absolute owner thereof, and no person will be liable for treating the registered holders as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Trustee, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear, Clearstream or DTC, as applicable.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear, Clearstream and/or DTC, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear, Clearstream and DTC, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear, Clearstream and DTC, if fewer than all of the Notes are to be redeemed at any time, Euroclear, Clearstream and DTC will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

Payments on Global Notes

Payments of amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to DTC or its nominee and to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (i.e., Euroclear, Clearstream or DTC (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer nor the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream, DTC or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest, for any such payments made by Euroclear, Clearstream, DTC or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream, DTC or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream, DTC or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency and payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes through Euroclear, Clearstream and/or DTC in U.S. dollars.

Action by owners of Book-Entry Interests

Euroclear, Clearstream and DTC have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear, Clearstream and DTC will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear, Clearstream and DTC reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear, Clearstream and DTC will be effected in accordance with the respective rules of Euroclear, Clearstream and DTC and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of securities or to pledge such securities, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear, Clearstream and DTC and in accordance with the procedures set forth in the Indenture governing the Notes.

The Global Notes will bear a legend to the effect set forth in "*Transfer Restrictions*" below. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer referred to in "*Transfer Restrictions*."

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act. Prior to 40 days after the date of initial issuance of the Notes, ownership of Regulation S Book-Entry Interests will be limited to persons that have accounts with Euroclear, Clearstream or DTC or persons who hold interests through Euroclear, Clearstream or DTC, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in "*Transfer Restrictions*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer*." Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note will, upon transfer, cease to be a Book- Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as that person retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Information concerning Euroclear, Clearstream and DTC

All Book-Entry Interests will be subject to the operations and procedures of Euroclear, Clearstream or DTC, as applicable. The Issuer provides the summaries of those operations and procedures provided in this offering memorandum solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

DTC advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC's direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear, Clearstream and DTC can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear, Clearstream or DTC systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear, Clearstream or DTC systems will receive distributions attributable to the 144A Global Notes only through Euroclear, Clearstream or DTC participants.

Secondary market trading, global clearance and settlement under the book-entry system

Application will be made to the Luxembourg Stock Exchange for the Notes represented by the Global Notes to be admitted to listing and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

Initial settlement

Initial settlement for the Notes will be made in U.S. dollars. Book-Entry Interests owned through Euroclear, Clearstream or DTC accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form.

Secondary market trading

The Book-Entry Interests will trade through participants of Euroclear, Clearstream or DTC and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Transfer restrictions

The Notes have not been registered under the Securities Act and may not be sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (i) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or (ii) non-U.S. persons in offshore transactions in reliance on Regulation S.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) You are not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer, you are not acting on behalf of the Issuer and you (A) (i) are a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), (ii) are aware that the sale to you is being made in reliance on Rule 144A, and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer; or (B) are not a U.S. person (as defined in Regulation S under the Securities Act) (and are not purchasing the Notes for the account or benefit of a U.S. person, other than a distributor) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.

(2) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of such Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "Resale Restriction Termination Date") that is one year (in the case of the Rule 144A Note) or 40 days (in the case of the Regulation S Note) after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to the Issuer or any subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (A) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them, and (B) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(3) You acknowledge that none of the Issuer, the Initial Purchasers or any person representing the Issuer or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than by the Issuer with respect to the information contained in this offering memorandum, which offering memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning the Issuer, the Indenture governing the Notes and the Notes in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) You also acknowledge that each Global Note will contain a legend substantially to the following effect:

> THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.
>
> THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) OR (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE)] [IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S] ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.
>
> BY ACCEPTING THIS NOTE (OR AN INTEREST IN THE NOTES REPRESENTED HEREBY) EACH ACQUIRER AND EACH TRANSFEREE IS DEEMED TO REPRESENT, WARRANT AND AGREE THAT AT THE TIME OF ITS ACQUISITION AND THROUGHOUT THE PERIOD THAT IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS SUCH NOTES OR ANY INTEREST THEREIN IT WILL NOT BE, AND WILL NOT BE ACTING ON BEHALF OF), AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA")), SUBJECT TO THE PROVISIONS OF

PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, ("CODE"), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, OR OTHERWISE) BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S AND/OR PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FIDUCIARY RESPONSIBILITY OR THE PROHIBITED TRANSACTION PROVISIONS OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAWS"), AND NO PART OF THE ASSETS USED BY IT TO ACQUIRE OR HOLD THIS NOTE OR ANY INTEREST HEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, OR (B) IF IT IS A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW, ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE OR AN INTEREST HEREIN DOES NOT AND WILL NOT CONSTITUTE OR OTHERWISE RESULT IN A NON-EXEMPT VIOLATION OF ANY SIMILAR LAWS; AND NEITHER ISSUER NOR ANY OF ITS AFFILIATES IS A "FIDUCIARY" (WITHIN THE MEANING OF ANY DEFINITION OF "FIDUCIARY" UNDER SIMILAR LAWS) WITH RESPECT TO THE PURCHASER OR HOLDER IN CONNECTION WITH ANY PURCHASE OR HOLDING OF THE NOTES, OR AS A RESULT OF ANY EXERCISE BY THE ISSUER OR ANY OF ITS AFFILIATES OF ANY RIGHTS IN CONNECTION WITH THE NOTES, AND NO ADVICE PROVIDED BY THE ISSUER OR ANY OF ITS AFFILIATES HAS FORMED A PRIMARY BASIS FOR ANY INVESTMENT DECISION BY OR ON BEHALF OF THE PURCHASER OR HOLDER IN CONNECTION WITH THE NOTES AND THE TRANSACTIONS CONTEMPLATED WITH RESPECT TO THE NOTES; AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE.

(5) The following legend shall also be included, if applicable:

THE FOLLOWING INFORMATION IS SUPPLIED SOLELY FOR U.S. FEDERAL INCOME TAX PURPOSES. THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") WITHIN THE MEANING OF SECTION 1273 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND THIS LEGEND IS REQUIRED BY SECTION 1275(c) OF THE CODE. HOLDERS MAY OBTAIN INFORMATION REGARDING THE AMOUNT OF ANY OID, THE ISSUE PRICE, THE ISSUE DATE, AND THE YIELD TO MATURITY RELATING TO THE NOTES BY CONTACTING THE TRUSTEE AT CITIGROUP CENTRE, CANADA SQUARE, CANARY WHARF, LONDON E14 5LB, UNITED KINGDOM.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

(2) You acknowledge that:

(a) The Issuer, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

(b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.

(3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(4) You acknowledge that the above restrictions on resale will apply from the closing date until the Resale Restriction Termination Date.

(5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under "*Plan of Distribution*."

Further, by acquiring the Notes, you will be deemed to have further represented and agreed as follows:

(1) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (A) either (i) you are not, and are not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), an employee benefit plan (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")), subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the U.S. Internal Revenue Code of 1986, as amended ("Code"), applies, or any entity whose underlying assets include "plan assets" by reason of such an employee benefit plan's and/or plan's investment in such entity (each, a "Benefit Plan Investor"), or a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code ("Similar Laws"), and no part of the assets to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or such plan, or (ii) if you are a governmental, church or non-U.S. plan subject to Similar Laws, your acquisition, holding and disposition of such Note, or any interest therein does not and will not constitute or otherwise result in a non-exempt violation of any Similar Laws; and neither Issuer nor any of its affiliates is a "fiduciary" within the meaning of any definition of "fiduciary" under Similar Laws with respect to you, as the purchaser or holder, in connection with your purchase or holding of the Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with the Notes, and no advice provided by the Issuer or any of its affiliates has formed a primary basis for any investment decision by or on behalf of you as the purchaser or holder in connection with the Notes and the transactions contemplated with respect to the Notes; and (B) you will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

(2) You and any fiduciary causing you to acquire an interest in the Notes agree to indemnify and hold harmless the Issuer, the Initial Purchasers and the Trustee and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.

(3) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the foregoing requirements shall be null and void ab initio.

Tax considerations

Certain U.S. federal income tax consequences for U.S. holders

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (as defined below), but does not purport to be a complete analysis of all potential tax effects and does not address the effects of any state, local or non-U.S. tax laws. This discussion is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each available and as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service ("IRS") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that might be relevant to a holder in light of such holder's particular circumstances or to holders subject to special rules, including certain financial institutions, certain U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities or currencies, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax or the Medicare contribution tax on net investment income, banks and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. This discussion also does not address those holders who participate in the Tender Offer or the Redemption. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (the first price at which a substantial amount of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "U.S. holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in the United States or under the laws of the United States or any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election under applicable Treasury regulations is in place to treat the trust as a U.S. person.

If any arrangement or entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of such partnership and a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is an arrangement or entity treated as a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

There are certain tax reform proposals currently being considered in connection with the recent U.S. elections. While it is uncertain whether any such proposals would be enacted into law, and it is impossible to predict whether this will be the case, if any such proposals were to become law, they could materially change the U.S. federal income tax consequences described below.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Characterization of the Notes

The Issuer intends to take the position that the Notes should be characterized as Debt instruments, which are not subject to the rules governing contingent payment debt instruments, for U.S. federal income tax purposes. The remainder of this discussion assumes that such position will be respected for U.S. federal income tax purposes.

Payments of Interest. Payments of stated interest on the Notes generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. It is possible that the Notes will be issued with OID for U.S. federal income tax purposes. If the excess (if any) of the principal amount of the Notes over their issue price (as defined above) is equal to, or is greater than, a statutorily defined *de minimis* amount, the excess would be treated as OID. Generally, the *de minimis* amount is 1/4 of 1% of the principal amount multiplied by the number of complete years to maturity from the Issue Date. If the Notes are issued with OID, in addition to stated interest payments which are includable in income as described above, U.S. holders (regardless of their method of accounting) would be required to include the OID in income as it accrues, in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments to which this income is attributable. Under this method, U.S. holders generally would be required to include in income increasingly greater amounts of OID in successive accrual periods. A U.S. holder may make an election to include in gross income all interest that accrues on a Note (including stated interest, and any OID or *de minimis* OID) in accordance with a constant yield method based on the compounding of interest.

Interest income and OID, if any, on a Note generally will be foreign source "passive category income" or, in the case of certain U.S. holders, "general category income" for purposes of computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws.

Should any non-U.S. tax be withheld from payments on the Notes, the amount withheld and the gross amount of any Additional Amounts paid to a U.S. holder (see "*Description of the Notes—Additional Amounts*") will be included in such holder's income at the time such amount is received or accrued in accordance with such holder's method of accounting for U.S. federal income tax purposes. Non-U.S. withholding tax paid at the rate applicable to a U.S. holder (taking into account any applicable income tax treaty) may, subject to limitations and conditions, be treated as a foreign income tax eligible for credit against such holder's U.S. federal income tax liability or, at such holder's election, eligible for deduction in computing such holder's U.S. federal taxable income. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes. Any Additional Amounts would generally constitute foreign source income.

Certain information reporting requirements

Certain U.S. holders who are individuals are required to report information relating to an interest in our Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

Information reporting and backup withholding

U.S. federal backup withholding may apply to payments made in respect of, and proceeds received from the disposition of, the Notes to U.S. holders who are not exempt recipients and who fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients. Payments made in respect of the Notes to, and certain sales of Notes by, a U.S. holder must be reported to the IRS, unless such U.S. holder is an exempt recipient and, when required, demonstrates this fact.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability. A U.S. holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing any required information.

U.S. Foreign Account Tax Compliance Act

Pursuant to sections 1471 to 1474 of the Code, which sections are commonly referred to as the U.S. Foreign Account Tax Compliance Act ("FATCA"), certain issuers of debt instruments and financial intermediaries may be required to withhold U.S. tax on payments on such debt instruments. However, FATCA withholding on debt obligations generating foreign source interest (such as the Notes) will not begin to apply until January 1, 2019, at the earliest. Furthermore, in accordance with a grandfathering rule, even if the payments on the Notes are otherwise potentially subject to FATCA withholding, the Notes, so long as they are characterized as indebtedness for U.S. federal income tax purposes, should only become subject to FATCA withholding if the Notes are materially modified after the date that is six months after the date final Treasury regulations defining the term "foreign passthru payment" are published. No such final Treasury regulations have been published yet. In the event that additional Notes are issued that are ineligible for an exemption, unless Additional Notes are distinguishable from the original Notes, withholding agents may treat all Notes, including the original Notes, as subject to FATCA withholding. Further, in the event any withholding under FATCA is required with respect to any payments on the Notes, there will be no Additional Amounts payable to compensate for the withheld amount. The scope of these rules remains unclear and potentially subject to material changes. Moreover, certain non-U.S. governments have entered into, and other non-US governments have entered into, agreements with the United States to implement FATCA. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes.

Luxembourg Income tax consequences

The following information is of a general nature only and relates to certain material Luxembourg tax consequences of purchasing, owning and disposing of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to dispose of the Notes. It is based on the laws, regulations and administration and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This information also does not take into account the specific circumstances of particular investors. Prospective investors in the Notes should therefore consult their own professional advisors as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable

law, subject however to the application of the Luxembourg law of December 23, 2005 (as amended) introducing a final tax on certain payments of interest made to certain Luxembourg resident individuals (the "Luxembourg Interest Payments Law").

Resident noteholders

Payment of interest or similar income (within the meaning of the Luxembourg Interest Payments Law) on debt instruments made or deemed made by a paying agent (within the meaning of the Luxembourg Interest Payments Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes who is the beneficial owner of such payment may be subject to a final tax at a rate of 20%. Such final tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of his/her private wealth. The responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent.

An individual beneficial owner of interest or similar income (within the meaning of the Luxembourg Interest Payments Law) who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt for a final tax of 20% when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State, in a Member State of the EEA which is not an EU Member State. The option for the 20% levy must include all interest payments made during the calendar year and responsibility for the declaration and the payment of the 20% final tax is assumed by the individual resident beneficial owner of interest.

Non-resident noteholders

On January 1, 2015, the Luxembourg law of November 25, 2014 replaced the withholding tax system introduced by the Luxembourg Interest Payments Law with an automatic exchange of information system. Consequently, there is no Luxembourg withholding tax under the Notes on payments of interest (including accrued but unpaid interest) made to non-resident Noteholders, nor is any Luxembourg withholding tax payable upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Notes.

Income taxation

Non-resident noteholders

Non-resident Noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Non-residents holders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

Resident noteholders

Individuals

A resident Noteholder, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or similar income received, redemption premiums or issue discounts, under the Notes, except if tax has been levied on such payments in accordance with the Luxembourg Interest Payments Law.

A gain realized by an individual Noteholder, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to

Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Luxembourg Interest Payments Law.

A resident Noteholder, acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Luxembourg Interest Payments Law will be credited against his/her final tax liability.

Corporations

A corporate resident holder of the Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate Noteholder that is governed by the law of May 11, 2007 on family estate management companies (as amended), or the law of December 17, 2010 on undertakings for collective investment (as amended), or the law of February 13, 2007 on specialized investment funds (as amended), or the law of July 23, 2016 on reserved alternative investment funds not investing in risk capital is neither subject to Luxembourg income tax in respect of interest or similar income or received, redemption premiums or issue discounts, under the Notes, as well as any gains realized on the sale, exchange or disposal, in any form whatsoever, of the Notes.

Net wealth taxation

A Luxembourg resident corporate holder of the Notes as well as a non-Luxembourg corporate resident holder of the Notes which maintains a permanent establishment, fixed place of business or a permanent representative in Luxembourg to which such Notes or income thereon are attributable, are subject to Luxembourg wealth tax on such Notes, except if the Noteholder is a family estate management company (*société de gestion de patrimoine familial*) introduced by the law of May 11, 2007 (as amended), an undertaking for collective investment governed by the law of December 17, 2010 (as amended), a securitization vehicle governed by and compliant with the law of March 22, 2004 on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 on venture capital vehicles (as amended), a specialized investment fund governed by the law of February 13, 2007 on specialized investment funds (as amended), or a pension-saving company as well as a pension-saving association, both governed by the law of July 13, 2005, as amended and reserved alternative investment funds governed by the law of July 23, 2016.

An individual holder of the Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax.

Non-resident corporate Noteholders, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income thereon are attributable, are not subject to Luxembourg wealth tax.

The net wealth tax charge for a given year can be avoided or reduced if a specific reserve, equal to five times the net wealth tax to save, is created before the end of the subsequent tax year and maintained during the five following tax years. The net wealth tax reduction corresponds to one fifth of the reserve created, except that the maximum net wealth tax to be saved is limited to the corporate income tax amount due for the same tax year, including the employment fund surcharge, but before imputation of available tax credits.

Corporate resident Noteholders will further be subject to (a) a minimum net wealth tax of EUR 4,815, if it holds assets such as fixed financial assets, receivables owed to affiliated companies, transferable securities, postal checking accounts, checks and cash, in a proportion that exceeds

90% of its total balance sheet value and if the total balance sheet value exceeds EUR 350,000, or (b) a minimum net wealth tax between EUR 535 and EUR 32,100 based on the total amount of its assets. Items (e.g., real estate properties or assets allocated to a permanent establishment) located in a treaty country, where the latter has the exclusive tax right, are not considered for the calculation of the 90% threshold. Despite the above mentioned exceptions, the minimum net wealth tax also applies if the resident corporate Noteholders is a securitization company governed by the law of March 22, 2004 on securitization, as amended, or an investment company in risk capital governed by the law of June 15, 2004 on venture capital vehicles, as amended, or a pension-saving company or a pension-saving association, both governed by the law of July 13, 2005, as amended or reserved alternative investment funds investing in risk capital governed by the law of July 23, 2016.

Other taxes

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, value-added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not submitted to registration in Luxembourg which is not mandatory.

However, a registration duty may be due in case where (i) the deed acknowledging the issuance/ disposal of the Notes is either attached (*annexé*) to a deed subject to a mandatory registration in Luxembourg (e.g. public deed) or lodged with a notary's records (*déposé au rang des minutes d'un notaire*), or (ii) a registration of the Notes is made on a voluntary basis.

Where a holder of the Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed executed in the presence of a notary or recorded in Luxembourg.

EU savings directive

Under the EU Savings Directive, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On March 24, 2014, the Council of the European Union adopted a Council Directive ("March 2014 Directive") amending and broadening the scope of these requirements, which required Member States to make changes from January 1, 2017. The changes expanded the range of payments covered by the March 2014 Directive, in particular to include additional types of income payable on securities. The March 2014 Directive also expanded the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach applies to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

Austria announced that it would not make full use of the derogation in the March 2014 Directive. Instead, Austria is to exchange information by September 2017, albeit on a limited set of accounts, while retaining the derogation in other cases. Austria is required to operate a withholding system in relation to such payments unless the individual provides a statement which confirms that the income is declared to the tax authorities in Luxembourg.

ERISA considerations

Sections 404 and 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), impose certain fiduciary and prohibited transaction restrictions on employee benefit plans subject to Title I of ERISA ("ERISA Plans") and on certain other retirement plans and arrangements, including individual retirement accounts and annuities, Keogh plans and bank collective investment funds and insurance company general and separate accounts, in which such ERISA Plans are invested. Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) of the Code, individual retirement or other savings accounts described in Section 4975(e)(1) of the Code (collectively, "Tax-Favored Plans"). ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax Favored Plans (collectively, "Plans") and persons who have certain specified relationships to such Plans (so-called "parties in interest" within the meaning of Section 3(14) of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code; collectively "Parties in Interest"), unless a statutory or administrative exemption is available with respect to any such transaction.

Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), plans maintained outside the United States primarily for the benefit of persons substantially all of whom are non-resident aliens as described in Section 4(b)(4) of ERISA and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) are not subject to the requirements of Title I of ERISA; however, such plans may nonetheless be subject to other state, local, federal or non-U.S. laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or Section 4975 of the Code ("Similar Law"). Accordingly, fiduciaries of such plans should consult with their counsel before investing the assets of such plans in the Notes. Any such plan that is qualified and exempt from taxation under Sections 401(a) and 501(a) of the Code, however, is subject to the prohibited transaction rules set forth in Section 503 of the Code.

The United States Department of Labor (the "DOL") has promulgated regulations at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "DOL Regulations"), defining the term "Plan Assets." Under the DOL Regulations, generally, when a Plan makes an investment in an equity interest in another entity (such as the Issuer), the underlying assets of that entity may be considered Plan Assets unless certain exceptions apply. Exceptions contained in the DOL Regulations provide that a Plan's assets will include both an equity interest and an undivided interest in each underlying asset of the entity in which it makes an equity investment, unless: (1) the entity is an "operating company" as defined in the DOL Regulations; (2) the equity investment made by the Plan is either in a "publicly offered security" that is "widely held," both as defined in the DOL Regulations, or a security issued by an investment company registered under the Investment Company Act of 1940, as amended; or (3) Benefit Plan Investors (as defined below) do not own 25% or more in value of any class of equity interests of the entity, excluding equity interests held by persons (other than Benefit Plan Investors) with discretionary authority or control over the entity's assets, or who provide investment advice for a fee with respect to such assets, and any affiliates thereof. For this purpose, "Benefit Plan Investors" include Plans and any entity whose underlying assets include Plan Assets by reason of a Plan's investment in such entity. Under the DOL Regulations, the term "equity interest" means any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. The Issuer anticipates that, as of the date hereof, the Notes will not be treated as indebtedness without significant equity features for the purposes of the DOL Regulations as of the date hereof. The Issuer does not anticipate that an exception under the DOL Regulations will apply with respect to the Notes.

Therefore, the Issuer intends to restrict the acquisition and transfer of the Notes by Benefit Plan Investors such that Benefit Plan Investors will not be permitted to acquire the Notes. Each purchaser and transferee of a Note will be required to, or will be deemed to represent and warrant that (i) it is not, and is not acting on behalf of, a Benefit Plan Investor, (ii) if it is, or is acting on behalf of, a plan or arrangement subject to Similar Law, the purchase and holding of

the Notes does not constitute a violation of Similar Law and neither the Issuer nor any of its affiliates is a fiduciary within the meaning of any definition of "fiduciary" under Similar Laws or has provided advice forming the primary basis for an investment decision by the purchaser or transferee of the Notes. Any purported acquisition or transfer in contravention of the foregoing restriction shall be null and void ab initio.

Certain insolvency considerations

Set forth below is a brief description of certain aspects of insolvency laws in Luxembourg. In the event that the Issuer experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

Luxembourg

Insolvency

The Issuer is incorporated and has its registered office in Luxembourg. Accordingly, insolvency proceedings with respect to the Issuer may proceed under, and be governed by, Luxembourg insolvency laws. Luxembourg insolvency laws may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar and may limit Noteholders' ability to enforce the terms of the Notes. Insolvency proceedings may have a material adverse effect on the Issuer's business and assets and its obligations under the Notes.

The following is a brief description of certain aspects of Luxembourg insolvency laws under which the following types of proceedings (together referred to as "insolvency proceedings") may be opened against a Luxembourg company to the extent it has its registered office or center of main interest in Luxembourg:

Bankruptcy (*faillite*): a Luxembourg company may be declared bankrupt provided that two conditions are fulfilled: (i) the company is in default of payment (i.e., it fails to pay its debts as they fall due) (*cessation de paiement*) and (ii) the company has a loss of creditworthiness (*ébranlement de crédit*). The opening of bankruptcy proceedings may be requested by:

- the company itself (*aveu de faillite*), in which case the company must declare bankruptcy within one month of ceasing to pay its debts which are due;
- any of the company's creditors (*assignation en faillite*) by serving a bankruptcy writ on the company to appear before the Commercial District Court; or
- the court on its own motion (*faillite d'office*) if the court obtains information from the public prosecutor's office, debtors or third parties indicating that the company has met the bankruptcy conditions.

If a court finds that the aforementioned two conditions have been satisfied, it will open bankruptcy proceedings, resulting in the suspension of all individual measures of enforcement against the company, subject to certain limited exceptions.

Controlled management proceedings (*gestion contrôlée*): the opening of controlled management proceedings may only be requested by the company and not by its creditors. Prior approval by more than 50% of the creditors representing more than 50% of the company's liabilities is required.

Composition proceedings (*concordat préventif de la faillite*): composition proceedings may be requested only by the company (having received prior consent from a majority of the creditors representing 75% of the outstanding amount).

The court's decision to admit a company to the composition proceedings triggers a provisional freeze on individual enforcement of claims by unsecured creditors.

In addition to these proceedings, the ability of the holders of Notes to receive payment under the Notes may be affected by a court decision to grant a reprieve from payments (*sursis de paiements*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial liquidation proceedings may be opened at the public prosecutor's request against companies pursuing an activity in violation of criminal laws or in serious violation of the commercial code or of the Luxembourg Companies Law. Such liquidation proceedings will generally follow the same rules as those applicable to bankruptcy proceedings.

The Issuer's liabilities in respect of the Notes will, in the event of a liquidation following bankruptcy or judicial liquidation proceedings, rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those of the Issuer's debts that are entitled to priority under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

For the avoidance of doubt, the above list is not exhaustive.

Assets over which a security interest has been granted will, in principle, not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Secured creditors' ability to enforce their security interests may also be limited in the event of controlled management proceedings, which automatically cause the secured creditors' rights to be frozen until the court has made a final decision as to the petition for controlled management, and may be affected thereafter by a reorganization order from the court. A reorganization order requires prior approval by more than 50% of the creditors representing more than 50% of the company's liabilities.

After converting all of the company's available assets into cash and determining all of the company's liabilities, the bankruptcy receiver (*curateur*) will distribute the proceeds of the sale to the creditors according to their priority ranking, as set forth by law, after deducting the bankruptcy receiver's fees and the bankruptcy costs (*frais de la masse*).

Transactions that may be challenged or set aside

Luxembourg insolvency laws may also affect transactions entered into or payments made by the relevant Luxembourg company during the period before bankruptcy, the so-called "suspect period" (*période suspecte*) which is a maximum of six months (and ten days, depending on the transaction in question) preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to Article 445 of the Luxembourg Code of Commerce, specified transactions (such as, in particular, the granting of a security interest for antecedent debts; the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; and the sale of assets without consideration or with substantially inadequate consideration) entered into during the suspect period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;

- pursuant to Article 446 of the Luxembourg Code of Commerce, payments made for matured debts, as well as other transactions concluded for consideration, during the suspect period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with knowledge of the bankrupt party's cessation of payments; and

- pursuant to Article 448 of the Luxembourg Code of Commerce and Article 1167 of the Civil Code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit. In principle, a bankruptcy order rendered by a Luxembourg court does not result in automatic

termination of contracts. The company's contracts, therefore, subsist after the bankruptcy order; however, the bankruptcy receiver may choose to terminate certain contracts. As of the bankruptcy adjudication date, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate.

The bankruptcy receiver decides whether or not to continue performance under ongoing contracts (i.e., contracts existing before the bankruptcy order). The bankruptcy receiver may elect to continue the debtor's business, provided the bankruptcy receiver obtains the court's authorization and such continuation does not cause any prejudice to the creditors; however, two exceptions apply:

- the parties to an agreement may contractually agree that bankruptcy constitutes an early termination or acceleration event; and
- *intuitu personae contracts* (i.e., contracts whereby the identity of one of the contracting parties is an essential element of the contract) are automatically terminated as of the bankruptcy judgment, as indicated above, since the debtor is no longer responsible for the management of the company.

The bankruptcy receiver may elect not to perform any of the bankrupt party's obligations that have yet to be performed after bankruptcy has been opened under any agreement the bankruptcy party entered into before the bankruptcy was opened. The counterparty to that agreement may make a claim for damages in the bankruptcy and such claim will rank pari passu with all other unsecured creditors' claims and/or seek a court order to have the relevant contract dissolved.

International aspects of insolvency proceedings

Pursuant to Regulation (EU) 2015/848 of the European Parliament and the Council of May 20, 2015, on insolvency proceedings (the "EU Insolvency Regulation"), the court with jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State where the relevant company has its center of main interests (as that term is used in Article 3(1) of the EU Insolvency Regulation), which is a question of fact.

The EU Insolvency Regulation does not include a clear definition of the term "center of main interests," so the interpretation of that term may change from time to time. There is however a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that a company has its center of main interests ("COMI") in the Member State in which it has its registered office. Accordingly, there is a rebuttable presumption that the COMI of the Issuer is in Luxembourg and consequently that any "main insolvency proceedings" (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and governed by Luxembourg law unless the COMI is determined to be located in a different Member State. Article 3 of the EU Insolvency Regulation states that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." In that respect, factors such as where board meetings are held, where a company conducts the majority of its business and where the majority of a company's creditors are established may all be relevant in determining the place where a company has its COMI. A company's COMI is determined when the relevant insolvency proceedings are opened.

If a company's COMI is and will remain located in the state where it has its registered office, the main insolvency proceedings would be opened in that jurisdiction and, accordingly, a court in that jurisdiction would be entitled to open the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation. Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are recognized in the other Member States, although secondary proceedings may be opened in another Member State if the debtor has an "establishment" (as defined in the EU Insolvency Regulation) in the other Member State. Such secondary proceedings are restricted to the debtor's assets in the other Member State.

Registration in Luxembourg

The registration of the Notes, the Indenture and the transaction documents (and/or any documents in connection therewith) with the Registration and Estates Department (*Administration de l'enregistrement et des domaines*) in Luxembourg is required in case the Notes, the Indenture and the transaction documents (and/or any documents in connection therewith) (i) are enclosed (*annexé*) to a compulsorily registrable deed or lodged with a notary's records (*déposé au rang des minutes d'un notaire*) or (ii) must be legally registered within a mandatory deadline (*acte obligatoirement enregistrable dans un délai de rigueur*) and are merely presented or used in proceedings before a Luxembourg court or tribunal, or exhibited or presented to (either directly or by way of reference) before a Luxembourg official authority (*autorité constituée*) or (iii) are registered on a voluntary basis. In case of registration, registration duties will apply in the form of a fixed amount or an ad valorem amount depending on the nature of the document.

Plan of distribution

Under the terms and subject to the conditions contained in a purchase agreement dated September 13, 2017 (the "Purchase Agreement") between BBVA Securities Inc. BNP Paribas, Citigroup Global Markets Limited, Goldman Sachs International, ICBC Standard Bank Plc, J.P. Morgan Securities plc, Scotia Capital (USA) Inc. and The Standard Bank of South Africa Limited (as the Initial Purchasers), on the one hand, and the Issuer, on the other hand, the Initial Purchasers have agreed to purchase from us, and we have agreed to sell to the Initial Purchasers, all of the Notes.

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and is subject to the approval of certain legal matters by their counsel and certain other conditions. The Initial Purchasers are committed to take and pay for all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates (as defined under Rule 501(b) of Regulation D of the Securities Act).

To the extent any of the Initial Purchasers are not U.S.-registered broker-dealers and they intend to effect any sales of the Notes in the United States, they will do so through one or more U.S.-registered broker-dealers or as otherwise permitted by applicable U.S. law.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments which the Initial Purchasers may be required to make in respect thereof. In addition, the Issuer has agreed to reimburse the Initial Purchasers for certain expenses incurred in connection with the offering of the Notes.

The Notes will constitute a new issue of securities with no established trading market. We do not intend to apply for listing or quotation of the Notes on any national securities exchange in the United States or through Nasdaq. However, there can be no assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes after the completion of the offering will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market making activities with respect to the Notes at any time without notice. In addition, market making activity will be subject to the limits imposed by applicable law. Accordingly, there can be no assurance that the trading market for the Notes will have any liquidity.

The Issuer has agreed that, without the prior written consent of the Initial Purchasers, none of MIC S.A. or any of its subsidiaries will offer or sell any debt securities (other than the Notes and related party loans) issued or guaranteed by the Issuer and having a tenor of more than one year for a period of 30 days after the date of this offering memorandum.

The Notes have not been and will not be registered under the Securities Act and may not be sold or delivered within the United States except (1) to qualified institutional buyers in reliance on Rule 144A under the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act in accordance with applicable laws. Any offer or sale of the Notes in reliance on Rule 144A under the Securities Act will be made by broker-dealers who are registered as such under the Exchange Act.

In addition, until 40 days after the commencement of this offering, a sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this offering memorandum, which will be 5 Business Days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in 3 Business

Days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next succeeding business day will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

Investors who purchase Notes from the Initial Purchasers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this offering memorandum.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchasers. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Initial Purchasers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See "*Risk Factors—Risks Relating to the Notes—An Active Trading Market may not Develop for the Notes, which may Hinder your Ability to Liquidate your Investment*."

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters in the United States. ICBC Standard Bank Plc shall offer and sell the Securities constituting part of its allotment solely outside the United States.

Other relationships

The Initial Purchasers and/or their affiliates are full service financial institutions and have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and commercial and investment banking services, for us and our affiliates in the ordinary course of business, including acting as financial intermediaries with respect to the proceeds of this offering, for which they received or will receive customary fees and expenses, and the making of loans to the Issuer and its affiliates. In particular, certain affiliates of the Initial Purchasers are agents and/or lenders under the existing revolving credit facility of the Issuer. In the ordinary course of their various business activities, the Initial Purchasers and/or their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of ours or our affiliate. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or their respective affiliates (as defined under Rule 501(b) of Regulation D of the Securities Act) may purchase the Notes for its or their own account and be allocated Notes.

Selling restrictions

General

No action has been taken by the Issuer or any of the Initial Purchasers that would, or is intended to, permit a public offer of the Notes (or beneficial interests therein), or possession or distribution of this offering memorandum or any other offering or publicity material relating to the Notes, in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Initial Purchaser has undertaken that it will not, directly or indirectly, offer or sell any Notes (or beneficial interests therein) or have in its possession, distribute or publish any offering memorandum, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes (or beneficial interests therein) by it will be made on the same terms.

In addition to the selling restrictions set forth below, prospective investors should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

United States

The Notes have not been and will not be registered under the Securities Act and may not be sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the Initial Purchasers has agreed that, except as permitted by the Purchase Agreement, it will not sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "*Transfer Restrictions*."

In addition, until 40 days after the commencement of the offering, a sale of Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such sale is made otherwise than pursuant to Rule 144A.

European Economic Area

In relation to each Relevant Member State, no Initial Purchaser, with effect from and including the Relevant Implementation Date, has made or will make an offer of Notes to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Initial Purchasers may make an offer of Notes to the public in that Relevant Member State:

- in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- at any time to legal entities which are accounts considered as qualified investors in accordance with the Prospectus Directive; or
- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC as amended by the Directive 2010/73/EC and includes any relevant implementing measure in each Relevant Member State.

Luxembourg

This offering memorandum has not been approved by, and will not be submitted for approval to, the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of a public offering or sale in Luxembourg and/or admission to the Luxembourg EU regulated market. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other offering circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg, except (i) for the sole purpose of the admission to trading and listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Notes on the Luxembourg Stock Exchange's Euro MTF market, and (ii) in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with or under or pursuant to the Prospectus Law and implementing the Prospectus Directive.

The Netherlands

The Notes have not been and will not be offered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

Switzerland

This offering memorandum is not an issue prospectus pursuant to article 1156 of the Swiss Code of Obligations or a listing prospectus pursuant to Articles 27 et seq. of the Listing Rules of the SIX Swiss Exchange and may not comply with the information standards required thereunder. Accordingly, the Notes will not be listed on any Swiss stock exchange and may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution.

United Kingdom

Each of the Initial Purchasers (a) has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and (b) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to it.

South Africa

Pursuant to the South African Banks Act of 1990, the Notes may not be and accordingly are not being offered to prospective investors in South Africa. In addition, South African exchange controls prohibit a sale of the Notes to South African residents or to foreign subsidiaries of South African companies, other than to certain qualifying South African investors utilizing their pre-approved prudential offshore allowances, ("Qualifying SA Institutions"). Accordingly, the Notes are not being marketed to prospective investors in the Republic of South Africa and will only be sold to South African residents if they are Qualifying SA Institutions. The offer of the Notes is not an "offer to the public" as defined in Section 95(h) of the Companies Act of 2008, as amended, and this offering memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

Peru

Neither this offering memorandum nor the notes have been registered with the Peruvian Securities Market Regulator (Superintendencia del Mercado de Valores). Accordingly, each initial purchaser has further represented and agreed, and each further initial purchaser appointed under the offering will be required to represent and agree, that it and each of its affiliates has not offered or sold, and will not offer or sell, any notes in Peru except that they may offer notes in circumstances which do not constitute a public offering under Peruvian laws and regulations.

The notes will not be registered in the Registro Público del Mercado de Valores. As a result, the offering of the notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Holders of the notes are not permitted to transfer the notes in Peru unless said transfer involves an institutional investor or the notes are previously registered in the Registro Público del Mercado de Valores.

Chile

The offer of the notes is subject to General Rule No. 336 issued by the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Superintendency or "SVS"). The commencement date of this offering is the one contained in the cover pages of this offering memorandum. The notes will not be registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS and will not be subject to the supervision of the SVS. As unregistered securities, the Company has no obligation to deliver/disclose public information about the notes in Chile. The notes cannot and will not be publicly offered in Chile unless registered in the *Registro de Valores* (Securities Registry) or the *Registro de Valores Extranjeros* (Foreign Securities Registry), both kept by the SVS. If the notes are offered within Chile, they will be offered and sold only pursuant to General Rule 336 of the SVS, an exemption to the registration requirements, or in circumstances which do not constitute a public offer of securities under Chilean law.

La oferta de los valores se acoge a la Norma de Carácter General N°336 de la Superintendencia de Valores y Seguros o SVS. La fecha de inicio de la presente oferta es la indicada en la portada de este offering memorandum. Los valores no estarán inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, y tales valores no estarán sujetos a la fiscalización de la SVS. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Los valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores o el Registro de Valores Extranjeros que lleva la SVS. Si los valores son ofrecidos dentro de Chile, serán ofrecidos y colocados sólo de acuerdo a la Norma de Carácter General N°336 de la SVS, una excepción a la obligación de inscripción, o en circunstancias que no constituyan una oferta pública de valores en Chile de conformidad a la ley chilena.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Legal matters

Certain legal matters in connection with this offering will be passed upon for the Issuer by Orrick, Herrington & Sutcliffe (UK) LLP as to matters of United States federal and New York law and by Hogan Lovells (Luxembourg) LLP as to matters of Luxembourg law.

Certain legal matters in connection with this offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP as to matters of United States federal and New York law and by Loyens & Loeff Luxembourg S.à r.l. as to matters of Luxembourg law.

Independent auditors

The Millicom Group's audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 included in this offering memorandum have been audited by Ernst & Young S.A. independent auditors (*cabinet de révision agréé*), 35E Avenue John F. Kennedy, L-1855 Luxembourg, as stated in their reports appearing herein. The Millicom Group's unaudited interim condensed consolidated financial statements for the six-month period ended June 30, 2017 included in this offering memorandum have been reviewed by Ernst & Young S.A. With respect to the Millicom Group's unaudited interim condensed consolidated financial information for the six-month period ended June 30, 2017 included in this offering memorandum, Ernst & Young S.A. reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated July 19, 2017 included in this offering memorandum states that they did not audit and they do not express an opinion on that interim financial information. Ernst & Young S.A. are members of the Luxembourg body of registered auditors (*Institut des Réviseurs d'Entreprises*).

Service of process and enforcement of judgments

It may not be possible for you to effect service of process within the United States upon the Issuer or any of its directors and executive officers, or to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. securities laws against the Issuer in the United States.

If a judgment is obtained in a U.S. court against the Issuer or any of its directors or executive officers, investors will need to enforce such judgment in jurisdictions where the relevant company or individual has assets. Even though the enforceability of U.S. court judgments outside the United States in Luxembourg is described below, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

Luxembourg

The Issuer is organized under the laws of Luxembourg. Most of the Issuer's directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of the Issuer's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, or to enforce against it judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws. It may be possible for investors to effect service of process within Luxembourg upon the Issuer, provided that the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

A contractual provision allowing for service of process against the Issuer by any other party appointed to such effect could be overridden by Luxembourg statutory provisions allowing for the valid service of process against the Issuer at its registered office, in accordance with applicable laws.

Since there is no treaty in force on the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and Luxembourg, Luxembourg courts will not automatically recognize and enforce a final judgment rendered by a U.S. court. A valid judgment with respect to the Notes against a company incorporated in Luxembourg and obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures (*exquatur*) set forth in Article 678 et seq. of the Luxembourg *Nouveau Code de Procédure Civile* and applicable case law. These are:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the U.S. court order or judgment does not result from an evasion of Luxembourg law (*fraude a la loi*);
- the judgment is enforceable in the jurisdiction where the decision is rendered (*exécutoire*);
- the U.S. court has applied the substantive law as designated by the Luxembourg conflict of laws rules or, the order does not contravene the principles underlying those rules;
- the U.S. court has acted in accordance with its own procedural laws (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);
- the foreign procedure was regular in light of the laws of the country of origin, the decision of the foreign court was not obtained by fraud and the judgment was obtained in compliance

with the defendant's rights (i.e., following proceedings where the defendant had the opportunity to appear, was granted the necessary time to prepare its case and, if it appeared, could present a defense); and

- the considerations of the foreign order as well as the judgment do not contravene international public policy as understood under the Luxembourg law or have been given in proceedings of a criminal or tax nature. Awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, which are classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages) may not be recognized by Luxembourg courts.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if: (i) the choice of such law was not made bona fide, (ii) if the foreign law was not pleaded and proved or (iii) its application contravenes Luxembourg mandatory laws or Luxembourg public policy. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

Listing and general information

Legal information

The Issuer

MIC S.A. is a public limited liability company (*société anonyme*) incorporated under the name Millicom International Cellular S.A. on June 16, 1992. MIC S.A. has an authorized share capital of $199,999,800 divided into 133,333,200 shares with a par value of $1.50 per share. As of June 30, 2017, MIC S.A. had an issued share capital of $152,608,825.50 represented by 101,739,217 total shares with a par value of $1.50 each, fully paid in. MIC S.A.'s articles of association have been amended for the last time on May 4, 2017, as published in the *Recueil Electronique de Sociétés et Associations* on May 16, 2017. MIC S.A.'s registered address, 2, rue du Fort Bourbon, L-1249, Luxembourg. MIC S.A.'s telephone number is +352 27 759 101. MIC S.A. is registered with the Luxembourg Trade and Companies Register under number B40630.

MIC S.A.'s fiscal year ends on December 31.

MIC S.A. is the ultimate holding company for the Millicom Group's operations, which are conducted by operating companies incorporated in the jurisdictions in which the Millicom Group does business. MIC S.A.'s material operating subsidiaries and joint ventures are listed under "*Our Business—Our Services and Market Position—Subsidiaries." MIC S.A.'s ordinar*y shares were delisted from the Nasdaq National Market in the United States on May 30, 2011. The foreign jurisdictions that together constitute the current primary trading market for MIC S.A.'s ordinary shares are Sweden and the United Kingdom. In Sweden, the shares are listed in the form of Swedish depository receipts ("SDRs") on the Nasdaq Stockholm exchange, and the SDRs are also traded off-exchange through a multilateral trading facility ("MTF") based in Sweden and through over-the-counter ("OTC") trading in Sweden. As of June 30, 2017, 95,765,361 shares, 94% of the total shares in issue were in the form of SDRs. Ordinary shares are still traded OTC in the United States.

With the primary listing in Stockholm, MIC S.A. terminated its Exchange Act reporting registration on October 12, 2012. MIC S.A. continues to be subject to Nasdaq Stockholm Exchange's listing rules and reporting requirements and the Swedish Code of Corporate Governance.

As of June 30, 2017, MIC S.A. had outstanding 101,739,217 total common shares, each with a par value of $1.50, which represented all of its equity and voting securities. Each common share carries one voting right. As of June 30, 2017, the only significant related parties to MIC S.A. or persons who beneficially owned more than 5% of MIC S.A.'s voting shares were Investment AB Kinnevik, with 37,835,438 shares, representing approximately 38% of the voting shares on that date.

Auditors

The independent auditors of MIC S.A. are Ernst & Young S.A., with registered office at 35E Avenue John F. Kennedy, L-1855 Luxembourg.

Litigation

There are no, and have not been any, governmental, legal or arbitration proceedings against or affecting MIC S.A., nor is MIC S.A. aware of any pending or threatened proceedings of such kind, which may have or have had a significant effect on MIC S.A.'s financial position.

No conflict of interests

The members of MIC S.A.'s board of directors do not have any potential conflicts of interest between their duties to MIC S.A. and their respective private interests in respect of the issuance of the Notes.

No material adverse change

As of the date of this offering memorandum, there has been no material adverse change with respect to MIC S.A. or its capacity to fulfill its obligations under the Notes.

General information

Except as disclosed in this offering memorandum:

- there has been no material adverse change in the consolidated financial position of MIC S.A. since June 30, 2017; and
- MIC S.A. is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which MIC S.A. is aware) relating to claims or amounts that are material in the context of the issuance of the Notes.

MIC S.A. accepts responsibility for the accuracy of the information contained in this offering memorandum. To the best knowledge and belief of MIC S.A., the information contained in this offering memorandum for which it takes responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Listing

Application has been made for the Notes to be admitted to listing and trading on the Euro MTF Market of the Luxembourg Stock Exchange. Notice of any optional redemption, change of control or any change in the rate of interest payable on the Notes will be published in a Luxembourg newspaper of general circulation, or to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange, on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Luxembourg listing information

Copies of the following documents may be obtained in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the Issuer's registered office and the Transfer Agent, the Paying Agent and the Luxembourg Listing Agent so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of such exchange require:

- the organizational documents of the Issuer, including its articles of association;
- the Issuer's consolidated financial statements, including future audited consolidated annual financial statements and future unaudited consolidated interim quarterly financial statements; and
- the Indenture governing the Notes.

Pursuant to Part 1, point 502 of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes will be freely transferable and negotiable on the Luxembourg Stock Exchange.

Clearing information

The Notes sold pursuant to Regulation S and the Notes sold pursuant to Rule 144A of the Securities Act have been accepted for clearance through the facilities of DTC, Euroclear and Clearstream (CUSIP number 600814 AN7, ISIN code US600814AN71 and Common Code 168724179 with respect to the Rule 144A notes, and CUSIP number L6388G AB6 ISIN code USL6388GAB60 and Common Code 168724438 with respect to the Regulation S Notes).

The address of DTC is 55 Water Street, New York, New York 10041, USA; the address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium; and the address of Clearstream is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Authorization

The issuance of the Notes was duly authorized by resolutions of MIC S.A.'s board of directors on September 7, 2017.

Where you can find more information

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and, to the extent provided to the Initial Purchasers by us for such purpose, any related amendments or supplements to this offering memorandum. Each person receiving this offering memorandum and any related amendments or supplements to this offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements under Rule 12g3-2(b) of the Exchange Act, make available to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, in each case upon the written request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such request should be directed to the Issuer at 2, rue du Fort Bourbon, L-1249 Luxembourg.

The Issuer is not subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture, and so long as the Notes are outstanding, the Issuer will agree to furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Provision of Financial Information*."

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, and the rules of that exchange so require, copies of the Issuer's organizational documents, the Indenture and the Issuer's most recent consolidated financial statements published may be requested from the Issuer at the specified office of the Issuer at 2, rue du Fort Bourbon, L-1249 Luxembourg. See "*Important Information About This Offering Memorandum" and "—Listing—Luxembourg Listing Information*."

Glossary

This glossary contains explanations of certain terms and definitions used in this offering memorandum in connection with the Millicom Group and its business. These terms and their given meanings may not correspond to standard industry definitions or usage of such terms.

"2G"	The second generation of mobile communications technology. Radio signals on 2G networks are digital, whereas the previous mobile telephone systems (retrospectively dubbed 1G) were analog. 2G technologies can be divided into TDMA-based and CDMA-based standards, depending on the type of multiplexing used. GSM, a TDMA-based standard, is one of the main 2G standards.
"3G"	The third generation of mobile communications technology, which must comply with the International Mobile Telecommunications-2000 (IMT-2000) specifications set by the International Telecommunication Union. To meet the IMT-2000 standards, a system is required to provide peak data rates of at least 200 Kbps. The UMTS system and the CDMA2000 system are typically branded as 3G standards. 3G finds application in wireless voice telephone services, mobile internet access, fixed wireless internet access, video calls and mobile TV.
"4G"	The fourth generation of mobile communications technology, which must comply with the International Mobile Telecommunications Advanced (IMT-Advanced) specifications set by the International Telecommunications Union-Radio communications sector. These specifications set peak speed requirements for 4G service of 100 Mbps for high mobility communication (such as from trains and cars) and 1 Gbps for low mobility communication (such as pedestrians and stationary users). Two systems are often branded as 4G by operators, the Mobile WiMAX standard and the LTE standard, although they support less than 1 Gbps peak bit rate and are therefore not fully IMT-Advanced compliant. 4G provides mobile ultra-broadband internet access, for example to laptops with USB wireless modems, to smartphones and to other mobile devices.
"ADSL"	Asymmetric Digital Subscriber Line; a digital subscriber line technology that enables faster data transmission over copper telephone lines than a conventional voiceband modem can provide.
"ARPU"	mobile ARPU for an indicated period as (x) the total recurring mobile revenue (excluding revenue earned from tower rentals, call center and mobile telephone equipment sales revenue) for the period, divided by (y) the average number of RGUs or active customer relationships, as applicable, for the period, divided by (z) the number of months in the period. The Millicom Group defines Home ARPU for an indicated period as (x) the total recurring Home revenue (excluding equipment sales) for the period, divided by (y) the average number of RGU or active customer relationships, as applicable, for the period divided by (z) the number of months in the period.
"ARPU Sharing"	ARPU sharing is a prepaid customer's use of SIM cards from multiple providers to take advantage of pricing promotions or to avoid paying higher prices for calls made to numbers outside the relevant network, or 'off-net' calls (historically, off-net calls have been more expensive than on-net calls). As some of a device's settings (including some VAS and data applications) are contained on the device's provider-specific SIM card, a customer cannot access such SIM-specific VAS or

applications when using a different Sim card, even if the customer is using the same device on both networks. For example, if a customer accesses Netflix through a subscription on our network, the customer would be unable to access Netflix through another provider's network.

"backhaul" . . . . . In a hierarchical telecommunications network, the backhaul portion of the network comprises the intermediate links between the core network, or backbone network, and the small subnetworks at the edge of the entire hierarchical network.

"bandwidth" . . . . . The width of a communications channel; in other words, the difference between the highest and lowest frequencies available for network signals. Bandwidth also refers to the capacity to move information.

"broadband" . . . . . Broadband refers to the wide bandwidth characteristics of a transmission medium (such as coaxial cable or wireless) and its ability to transport multiple signals and traffic types simultaneously.

"bundle" . . . . . A combination of television, internet and telephone products and services marketed together by operators.

"CDMA" . . . . . Code Division Multiple Access; a family of 3G mobile technology standards, which use CDMA channel access to send voice, data and signaling data between mobile phones and cell sites.

"churn" . . . . . Churn rates are calculated by dividing the number of customers whose service is disconnected during a period, whether voluntarily or involuntarily (such as when a customer fails to pay a bill) by the average number of customers during the period.

"DSL" . . . . . Digital Subscriber Line; a family of technologies that are used to transmit digital data over telephone lines.

"DTH" . . . . . Direct-to-Home satellite broadcasting; the distribution of television signals from high-powered geostationary satellites to small dish antennas and satellite receivers in homes.

"EDGE" . . . . . Enhanced Data GSM Environment; a faster GSM wireless service designed to deliver data at rates up to 384 Kbps and enable the delivery of multimedia and other broadband applications to mobile phone and computer users. The EDGE standard is built on the existing GSM standard, using the same time-division multiple access (TDMA) frame structure and existing cell arrangements.

"ePIN" . . . . . A service that allows customers to top up their prepaid mobile account by using their handset.

"eSIM" . . . . . An integrated SIM card in a devise that is not specific to a service provider and does not need to be replaced to charge service providers, allowing customers to charge service providers without replacing their SIM card.

"FTTH" . . . . . Fiber to the Home; optic fibers reaching the home.

"FTTP" . . . . . Fiber to the premises; optic fibres reaching the premises.

"Gbps" . . . . . Gigabits per second; each gigabit is one billion bits.

"GHz" . . . . . Gigahertz; a unit of frequency equal to one thousand million Hertz.

"GPON" . . . . . Gigabit Passive Optical Networks; a point-to-multipoint access mechanism whose main characteristic is the use of passive splitters in the fiber distribution network, enabling one single feeding fiber from the provider's central office to serve multiple customers.

"GPRS" . . . . . General Packet Radio Service; a packet oriented mobile data service on the 2G and 3G cellular communication systems' GSM. GPRS usage is typically charged based on the volume of data transferred, compared to circuit switched data, which is usually billed per minute of connection time. GPRS data may be sold either as part of a bundle (e.g., up to 5 gigabits per month for a fixed fee) or on a pay-as-you-use basis. Usage above the cap is either charged per megabit or disallowed.

"GSM" . . . . . Global System for Mobile Communications; a standard set by the European Telecommunications Standards Institute to describe protocols for 2G digital cellular networks used by mobile phones. It was expanded over time to include data communications, first by circuit switched transport, then packet data transport via GPRS and EDGE. Further improvements were made when 3G UMTS standards were developed followed by 4G LTE-Advanced standards.

"homes passed" . . . . . The Millicom Group's estimate of the number of potential residential and commercial customers to whom it can offer its services.

"HFC" . . . . . Hybrid Fiber-Coaxial; a broadband network that combines optical fiber and coaxial cable and which enables us to offer high-speed Home services, of up to 150 Mbps.

"HSDPA" . . . . . High-Speed Downlink Packet Access; a 3G mobile telephone communications protocol in the HSPA family that allows networks based on UMTS to have higher data transfer speeds and capacity. Current HSDPA deployments support downlink speeds of up to 42 Mbps. Further speed increases are available with HSPA+.

"HSPA" . . . . . High-Speed Packet Access; an amalgamation of two mobile telephone protocols, HSDPA and HSUPA, that extends and improves the performance of existing 3G mobile telecommunications networks utilizing the W-CDMA protocols.

"HSPA+" . . . . . Evolved High-Speed Packet Access; a technical standard for wireless, broadband telecommunication, it enhances the widely used W-CDMA (UMTS) based networks (HSUPA and HSDPA) with higher speeds for the end user that are comparable to the newer LTE networks.

"HSUPA" . . . . . High-Speed Uplink Packet Access; a 3G mobile telephone protocol in the HSPA family with uplink speeds up to 5.76 Mbps.

"IMEI" . . . . . International Mobile Equipment Identity; a unique number to identify mobile phones.

"IP" . . . . . Internet Protocol; the principal communications protocol used for relaying network packets across the internet from the source host to the destination host.

"Kbps" . . . . . Kilobits per second; each kilobit is one thousand bits.

"LTE" . . . . . Long Term Evolution, marketed as 4G LTE; a standard for wireless communication of high-speed data for mobile phones and data

terminals. LTE is based on the GSM/EDGE and UMTS/HSPA network technologies, but increases the capacity and speed of wireless data networks using a different radio interface together and core network improvements. The LTE wireless interface is incompatible with 2G and 3G networks, so it must be operated on a separate wireless spectrum.

"M2M" . . . . . Machine to Machine.

"Mbps" . . . . . Megabits per second; each megabit is one million bits.

"MHz" . . . . . Megahertz; a unit of frequency equal to one million Hertz.

"MMDS" . . . . . Multichannel Multipoint Distribution Service; a cable wireless access technology that covers larger distances and is used in rural areas.

"MME" . . . . . Mobile Management Entity; a signaling node.

"MMS" . . . . . Multimedia Messaging Service; a standard way to send messages that include multimedia content to and from mobile phones. It extends the core SMS capability that allowed exchange of text message only up to 160 characters in length.

"mPOS" . . . . . Mobile Point of Sale; a device that performs the functions of a cash register or electronic point of sale terminal.

"MVNO" . . . . . Mobile Virtual Network Operator; a reseller for wireless communications services. An MVNO leases wireless capacity (in effect, purchases "minutes") from a third-party mobile network operator at wholesale prices and resells it to consumers at reduced retail prices under its own business brand.

"multiplexing" . . . . . In telecommunications networks, a method by which multiple analog message signals or digital data streams are combined into one signal over a shared medium. The aim is to share an expensive resource. For example, several telephone calls may be carried using one wire.

"network" . . . . . An interconnected collection of components which would, in a telecommunications network, consist of switches connected to each other and to customer equipment by real or virtual links. Transmission links may be based on fiberoptic or metallic cable or point-to-point radio connections.

"OTC" . . . . . Over-the-Counter; mobile money transactions where agents execute the electronic payment on the customer's behalf.

"RAN" . . . . . Radio Access Network; part of a mobile telecommunication system which implements radio access technology.

"RGU" . . . . . Revenue Generating Unit; separately, an analog cable television customer, digital cable television customer, internet customer or fixed telephone customer. A Home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, a customer who receives cable television, broadband internet and telephone services from the Millicom Group (regardless of their number of telephone access lines) would be counted as three RGUs.

"SIM card" . . . . . Subscriber Identification Module card; an integrated circuit which stores the international mobile subscriber identity number and its related key, which are used to identify and authenticate subscribers on mobile devices.

"smartphone" . . . . . A mobile phone built on a mobile operating system, with more advanced computing capability and connectivity than a feature phone (a phone with additional functions beyond standard mobile services but lacking all of the features of a smartphone). Smartphones include features such as portable media players, low-end compact digital cameras, pocket video cameras, GPS navigation units, web browsers that display standard web pages as well as mobile-optimized sites, and some offer high-resolution touchscreens. High-speed data access is provided by Wi-Fi and mobile broadband.

"SMS" . . . . . Short Message Service; a text messaging service component of phone, web or mobile communication systems using standardized communications protocols that allow the exchange of short text messages between fixed-line or mobile phone devices.

"SGSN" . . . . . Serving GPRS Support Node; a support signaling node.

"TDMA" . . . . . Time-Division Multiple Access; a channel access method for shared medium networks. It allows several users to share the same frequency channel by dividing the signal into different time slots. The users transmit in rapid succession, one after the other, each using its own time slot. This allows multiple stations to share the same transmission medium (e.g., radio frequency channel) while using only a part of its channel capacity. TDMA is used in 2G systems.

"triple-play" . . . . . A combination of three products over a single broadband connection: cable television, internet and fixed telephone services.

"UHF" . . . . . The ultra-high-frequency portion of the radio spectrum between 300 MHz and 3 GHz.

"UMTS" . . . . . Universal Mobile Telecommunications Service; a 3G mobile networking standard commonly used to upgrade GSM networks to 3G standards. UMTS uses W-CDMA radio access technology to offer greater spectral efficiency and bandwidth to mobile network operators.

"VAS" . . . . . Value-added Services, comprising all services and products other than standard mobile voice.

"VoIP" . . . . . Voice over Internet Protocol; the communication protocols, technologies, methodologies and transmission techniques involved in the delivery of voice communications and multimedia sessions over IP networks, such as the internet.

"VPN" . . . . . Virtual Private Network; a technology for using the internet or another intermediate network to connect computers to isolated remote computer networks that would otherwise be inaccessible. A VPN provides varying levels of security so that traffic sent through the VPN connection stays isolated from other computers on the intermediate network, either through the use of a dedicated connection from one end of the VPN to the other, or through encryption. VPNs can connect individual users to a remote network or connect multiple networks together.

"W-CDMA" . . . . . Wideband Code Division Multiple Access; an air interface standard found in 3G mobile telecommunications networks. W-CDMA is the most commonly used member of the UMTS family and sometimes used as a synonym for UMTS.

“WiMAX” . . . . . Worldwide Interoperability for Microwave Access; a wireless communications standard that provides fixed and fully mobile internet access at data rates of 30 to 40 Mbps. Mobile WiMAX was a replacement candidate for cellular phone technologies such as GSM and CDMA and can be used as an overlay to increase capacity. Fixed WiMAX is also considered a wireless backhaul technology for 2G, 3G and 4G networks in both developed and developing nations.

“WTTx” . . . . . Wireless Fiber to the X; wireless fibers reaching everything.

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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Millicom International Cellular S.A. as of 30 June 2017, which comprise the interim condensed consolidated statement of financial position as at 30 June 2017 and the related interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 19 July 2017

Unaudited interim condensed consolidated income statement for the six-month period ended 30 June 2017

US$ millions (unaudited)	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016 (i)(ii)
Revenue	5	2,091	2,096
Cost of sales		(610)	(606)
Gross profit		**1,481**	**1,490**
Operating expenses		(829)	(839)
Depreciation		(362)	(355)
Amortisation		(80)	(82)
Income from joint ventures, net	14	73	59
Other operating income (expenses), net		3	(3)
Operating profit	5	**287**	**269**
Interest expense		(207)	(181)
Interest and other financial income		10	7
Other non-operating (expenses) income, net	6	(9)	44
Income (loss) from associates, net	15	(39)	9
Profit before taxes from continuing operations		**42**	**149**
Charge for taxes, net		(82)	(84)
Profit (loss) for the period from continuing operations		**(40)**	**65**
Profit for the period from discontinued operations, net of tax	4	16	6
Net profit (loss) for the period		**(25)**	**71**
Attributable to:			
Owners of the Company		(4)	77
Non-controlling interests		(20)	(6)
Earnings per common share for profit attributable to the owners of the Company:			
Basic (US$)	7	(0.04)	0.77
Diluted (US$)	7	(0.04)	0.77

(i) Re-presented for discontinued operations (see note 4).

(ii) The interim condensed consolidated income statement for the six-month period ended 30 June 2016 has also been restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures (see note 14).

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

Unaudited interim condensed consolidated income statement for the three-month period ended 30 June 2017

US$ millions (unaudited)	Notes	Three months ended 30 June 2017	Three months ended 30 June 2016 (i)(ii)
Revenue	5	1,048	1,068
Cost of sales		(310)	(310)
Gross profit		**738**	**758**
Operating expenses		(423)	(426)
Depreciation		(184)	(179)
Amortisation		(40)	(49)
Income from joint ventures, net	14	35	27
Other operating income (expenses), net		1	(3)
Operating profit	5	**128**	**129**
Interest expense		(108)	(97)
Interest and other financial income		4	3
Other non-operating (expenses) income, net	6	(19)	30
Income (loss) from associates, net	15	(25)	20
Profit (loss) before taxes from continuing operations		**(19)**	**85**
Charge for taxes, net		(40)	(50)
Profit (loss) for the period from continuing operations		**(59)**	**35**
Profit (loss) for the period from discontinued operations, net of tax	4	11	(1)
Net profit (loss) for the period		**(48)**	**34**
Attributable to:			
Owners of the Company		(28)	39
Non-controlling interests		(21)	(5)
Earnings per common share for (loss) profit attributable to the owners of the Company:			
Basic (US$)	7	(0.28)	0.39
Diluted (US$)	7	(0.28)	0.39

(i) Re-presented for discontinued operations (see note 4).

(ii) The interim condensed consolidated income statement for the three-month period ended 30 June 2016 has also been restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures (see note 14).

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

Unaudited interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2017

US$ millions (unaudited)	Six months ended 30 June 2017	Six months ended 30 June 2016(i)
Net profit for the period	(25)	71
Other comprehensive income (to be reclassified to profit and loss in subsequent periods), net of tax:		
Exchange differences on translating foreign operations	1	47
Cash flow hedges	3	(3)
Total comprehensive income for the period	**(22)**	**115**
Attributable to:		
Owners of the Company	2	105
Non-controlling interests	(24)	10
Total comprehensive income for the period arises from:		
Continuing operations	(30)	110
Discontinued operations	8	5

Unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended 30 June 2017

US$ millions (unaudited)	Three months ended 30 June 2017	Three months ended 30 June 2016(i)
Net profit (loss) for the period	(48)	34
Other comprehensive income (to be reclassified to profit and loss in subsequent periods), net of tax:		
Exchange differences on translating foreign operations	(25)	17
Cash flow hedges	1	(3)
Total comprehensive income (loss) for the period	**(72)**	**48**
Attributable to:		
Owners of the Company	(42)	44
Non-controlling interests	(30)	4
Total comprehensive income for the period arises from:		
Continuing operations	(78)	47
Discontinued operations	6	1

(i) The interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2016 has been restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures (see note 14).

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

Unaudited interim condensed consolidated statement of financial position as at 30 June 2017

US$ millions	Notes	30 June 2017	31 December 2016 (audited)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	9	1,274	1,359
Property, plant and equipment, net	8	2,858	3,057
Investments in joint ventures	14	2,857	2,945
Investments in associates	15	300	331
Deferred tax assets		165	166
Derivative financial instruments	13	19	32
Other non-current assets		61	72
TOTAL NON-CURRENT ASSETS		**7,534**	**7,961**
CURRENT ASSETS			
Inventories		71	62
Trade receivables, net		364	387
Amounts due from non-controlling interests, associates and joint ventures	12	12	17
Prepayments and accrued income		189	171
Current income tax assets		79	101
Supplier advances for capital expenditure		21	23
Other current assets		120	110
Restricted cash		142	145
Cash and cash equivalents		721	646
TOTAL CURRENT ASSETS		**1,721**	**1,661**
Assets held for sale	4	240	5
TOTAL ASSETS		**9,495**	**9,627**

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

Unaudited interim condensed consolidated statement of financial position as at 30 June 2017(continued)

US$ millions	Notes	30 June 2017	31 December 2016 (audited)
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium		637	638
Treasury shares		(105)	(123)
Other reserves		(562)	(562)
Retained profits		2,950	3,247
Loss for the period/year attributable to equity holders		(4)	(32)
Equity attributable to owners of the Company		**2,915**	**3,167**
Non-controlling interests		177	201
TOTAL EQUITY		**3,093**	**3,368**
LIABILITIES			
Non-current liabilities			
Debt and financing	10	3,756	3,821
Derivative financial instruments	13	–	84
Amounts due to non-controlling interests, associates and joint ventures	12	33	113
Provisions and other non-current liabilities		272	286
Deferred tax liabilities		57	57
Total non-current liabilities		**4,118**	**4,361**
Current liabilities			
Debt and financing	10	453	80
Payables and accruals for capital expenditure		222	326
Other trade payables		242	297
Amounts due to non-controlling interests, associates and joint ventures	12	306	273
Accrued interest and other expenses		384	376
Current income tax liabilities		65	68
Derivative financial instruments	13	64	–
Provisions and other current liabilities		461	477
Total current liabilities		**2,198**	**1,898**
Liabilities directly associated with assets held for sale	4	85	–
TOTAL LIABILITIES		**6,402**	**6,258**
TOTAL EQUITY AND LIABILITIES		**9,495**	**9,627**

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

Unaudited interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2017

US$ millions(i)	Notes	30 June 2017	30 June 2016 (i)(ii)
Cash flows from operating activities (including discontinued operations)			
Profit before taxes from continuing operations		42	149
Profit (loss) before taxes from discontinued operations		18	(7)
Profit before taxes		**60**	**141**
Adjustments to reconcile to net cash:			
Interest expense		209	185
Interest and other financial income		(10)	(7)
Adjustments for non-cash items:			
Depreciation and amortization	5	444	456
Share of (gain) loss from joint ventures, net		(73)	(59)
Loss (gain) on disposal and impairment of assets, net		(3)	(6)
Share based compensation		12	7
(Income) loss from associates, net	15	39	(9)
Other non-cash non-operating (income) expenses, net		1	(39)
Changes in working capital:			
Decrease (increase) in trade receivables, prepayments and other current assets		(24)	(35)
(Increase) decrease in inventories		(10)	7
Increase (decrease) in trade and other payables		(58)	(28)
Total changes in working capital		**(93)**	**(57)**
Interest (paid)		(173)	(166)
Interest received		10	7
Taxes (paid)	5	(55)	(55)
Net cash provided by operating activities		**367**	**399**
Cash flows from investing activities (including discontinued operations):			
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	3	(20)	–
Proceeds from disposal of subsidiaries, net of cash disposed		–	137
Purchase of intangible assets and licenses	9	(78)	(99)
Proceeds from sale of intangible assets	9	–	4
Purchase of property, plant and equipment	8	(316)	(377)
Proceeds from sale of property, plant and equipment	8	3	1
Dividend received from joint ventures		101	–
Cash (used in) provided by other investing activities, net		9	–
Net cash used in investing activities		**(301)**	**(333)**
Cash flows from financing activities (including discontinued operations):			
Proceeds from other debt and financing	10	350	580
Repayment of debt and financing	10	(64)	(282)
Advances for, and dividends to non-controlling interests		–	(7)
Dividends paid to owners of the Company		(265)	(265)
Repayments of loans from joint ventures	12	–	(175)
Net cash from (used by) financing activities		**21**	**(149)**
Exchange impact on cash and cash equivalents, net		–	(1)
Net (decrease) increase in cash and cash equivalents		**88**	**(84)**
Cash and cash equivalents at the beginning of the year		646	769
Effect of cash in disposal group held for sale	4	(12)	(1)
Cash and cash equivalents at the end of the period		**721**	**684**

(i) The interim condensed consolidated statement of cash flows for the six month period ended 30 June 2016 has been restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures (see note 14).

(ii) Re-presented for discontinued operations (see note 4).

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

Unaudited interim condensed consolidated statements of changes in equity for the periods ended 30 June 2017, 31 December 2016 and 30 June 2016 (i)

US$ millions	Number of shares (000's)	Number of shares held by the Group (000's)	Share capital	Share premium	Treasury shares	Retained profits(i)	Other reserves	Total	Non-controlling interests	Total equity
Balance on 31 December 2015	**101,739**	**(1,574)**	**153**	**486**	**(143)**	**3,513**	**(531)**	**3,477**	**251**	**3,728**
Total comprehensive income for the period	–	–	–	–	–	77	28	105	10	115
Dividends	–	–	–	–	–	(265)	–	(265)	–	(265)
Purchase of treasury shares	–	(35)	–	–	(2)	–	–	(2)	–	(2)
Share based compensation	–	–	–	–	–	–	7	7	–	7
Issuance of shares under share-based payment schemes	–	211	–	(1)	19	2	(17)	3	–	3
Balance on 30 June 2016	**101,739**	**(1,398)**	**153**	**485**	**(126)**	**3,327**	**(513)**	**3,326**	**260**	**3,586**
Total comprehensive income for the period	–	–	–	–	–	(109)	(56)	(165)	(59)	(224)
Purchase of treasury shares	–	(2)	–	–	(1)	–	–	(1)	–	(1)
Share based compensation	–	–	–	–	–	–	7	7	–	7
Issuance of shares under share-based payment schemes	–	5	–	–	4	(3)	–	1	–	1
Balance on 31 December 2016	**101,739**	**(1,395)**	**153**	**485**	**(123)**	**3,215**	**(562)**	**3,167**	**201**	**3,368**
Total comprehensive income for the period	–	–	–	–	–	(4)	6	2	(24)	(22)
Dividends(iii)	–	–	–	–	–	(265)	–	(265)	–	(265)
Purchase of treasury shares	–	(31)	–	–	(3)	–	–	(3)	–	(3)
Share based compensation	–	–	–	–	–	–	12	12	–	12
Issuance of shares under share-based payment schemes	–	236	–	(1)	21	1	(18)	1	–	1
Balance on 30 June 2017	**101,739**	**(1,190)**	**153**	**484**	**(105)**	**2,946**	**(562)**	**2,915**	**177**	**3,093**

(i) The interim condensed consolidated statements of changes in equity for the six-month period ended 30 June 2016 has been restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures (see note 14).

(ii) Retained profits – includes profit attributable to equity holders, of which at 30 June 2017, $320 million (2016: $347 million) are not distributable to equity holders.

(iii) Dividends – A dividend distribution of $2.64 per share was approved by the Annual General Meeting of shareholders and distributed in May 2017.

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

Notes to the unaudited interim condensed consolidated statements

1. Organization

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

On 19 July 2017, the Board of Directors authorised these interim condensed consolidated financial statements for issuance.

2. Summary of consolidation and accounting policies

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

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2016 consolidated financial statements.

The following changes to standards effective for annual periods starting on 1 January 2017 have not been applied by the Group as they have not yet been endorsed by the European Union. Millicom intends to adopt these changes as soon as they are endorsed. However, their adoption will not have a significant impact for the Group:

- IAS Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports;
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses.

There are no other significant changes to standards effective for annual periods starting on 1 January 2017.

Update on the implementations of IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial Instruments":

- IFRS 15: We plan to adopt the accounting standard on 1 January 2018 and anticipate a meaningful impact on our Group financial statements, but we think it is premature to quantify this impact due primarily to the high volume of transactions that we process. From a qualitative standpoint, we expect that
    - some revenue will be recognized earlier, as a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception. Therefore, we expect this will produce a shift from service revenue (which will decrease) to the benefit of Telephone and Equipment revenue.
    - the cost incurred to obtain a contract (mainly commissions) will be capitalized in the balance sheet and amortized over the expected customers' retention period.
    - No material changes for the purpose of determining whether the Group acts as principal or an agent in the sale of products.

2. Summary of consolidation and accounting policies (continued)

As a result, we expect this will produce a net increase in both revenue and EBITDA in the first year. We anticipate that other adjustments will be less meaningful than the two adjustments explained above.

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

- Millicom will not adjust the transaction price for the means of a financing component whenever the period between the transfer of a promised good or service to a customer and the associated payment is one year or less; when the period is more than one year the significant financing component should be adjusted, if material.
- Millicom will disclose in the Group Financial Statements the transaction price allocated to unsatisfied performance obligations only for contracts that have an original expected duration of more than one year (e.g. unsatisfied performance obligations for contracts that that have an original duration of one year or less will not be disclosed).
- Millicom will apply the practical expedient not to disclose the price allocated to unsatisfied performance obligations, if the consideration from a customer directly corresponds to the value to the customer of the entity's performance to date (i.e, if billing = revenue).

- IFRS 9: The Group has started the implementation project in early 2017 for IFRS 9 and does expect it to have an impact on impairment of trade receivables and contracts assets (IFRS 15) as well as on amounts due from joint ventures and related parties – with the application of the expected credit loss model. However, the Group does not expect this impact to be material on the consolidated financial statements taken as a whole.

3. Acquisition and disposal of subsidiaries, joint ventures, associates and non-controlling interests

Acquisitions

During the six-month period ended 30 June 2017, Tigo Paraguay completed the acquisition of TV Cable Parana for a total consideration of approximately $18 million, net of cash acquired. The purchase accounting was finalised in March 2017. The purchase price has been mainly allocated to a customer list ($14 million) and to other tangible and intangible fixed assets ($3 million). As a result, the final goodwill amounted to $1 million.

During 2016 Millicom did not complete any significant acquisitions.

Ghana merger

On 3 March 2017, Millicom and Bharti Airtel Limited ('Airtel") announced that they have entered into an agreement for Tigo Ghana Limited and Airtel Ghana Limited to combine their operations in Ghana. As per the agreement, Millicom and Airtel would have equal ownership and governance rights in the combined entity. Completion of the transaction is subject to obtaining regulatory approvals and customary closing conditions.

4. Discontinued operations and assets held for sale

Discontinued operations – Senegal

On 7 February 2017, the Group announced that it had agreed to sell its business in Senegal to Wari Group, subject to regulatory approvals. The transaction represents an enterprise value for Tigo Senegal of $129 million. While the transaction is still subject to regulatory approval at

4. Discontinued operations and assets held for sale (continued)

30 June 2017, there is a high probability that the sale will be completed. The Group concluded that, given the conditions and circumstances, the operations in Senegal should be classified as discontinued operations and assets held for sale as from 7 February 2017.

Discontinued operations – DRC

On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. for a total cash consideration of $160 million adjusted for working capital movements and including $10 million of cash hold-back subject to the completion of the disposal of the mobile financial services business (DRC Mobile Cash). The transaction was completed in respect of the mobile business (Oasis S.A.) on 20 April 2016 and includes certain indemnity and warranty clauses as well as other expenses directly linked with the disposal, which have been provided for as of 30 June 2017. The separate disposal of DRC Mobile Cash was completed in September 2016. As a result, $10 million of the cash hold-back was received in October 2016. The sale of these operations generated a cash inflow of $147 million, net of $33 million of cash disposed.

In accordance with IFRS 5, the Group's businesses in DRC and Senegal have been classified as assets held for sale as from 8 February 2016 and 7 February 2017, respectively, and their results were classified as discontinued operations. Comparative figures of the income statement have been represented accordingly. Financial information relating to the discontinued operations for the six month periods ended 30 June 2017 and 2016 is set out below. Figures shown below are after intercompany eliminations.

Results from Discontinued Operations (US$ millions)	Six months ended 30 June 2017	Six months ended 30 June 2016
Revenue	70	100
Cost of sales	(23)	(37)
Operating expenses	(31)	(50)
Depreciation and amortisation	(2)	(18)
Other operating income (expenses), net	–	–
Operating profit (loss)	**14**	**(6)**
Interest income (expense), net	(2)	(1)
Other non-operating (expenses) income, net	5	2
Profit (loss) before taxes	**18**	**(7)**
Credit (charge) for taxes, net	–	6
Results from discontinued operations	**18**	**(1)**
Gross gain on disposal of discontinued operations	–	21
Other expenses linked to the disposal of discontinued operations	(2)	(14)
Net gain (loss) on disposal of discontinued operations	**(2)**	**7**
Net profit (loss) from discontinued operations	**16**	**6**

4. Discontinued operations and assets held for sale (continued)

Results from Discontinued Operations (US$ millions)	Three months ended 30 June 2017	Three months ended 30 June 2016
Revenue	37	33
Cost of sales	(12)	(14)
Operating expenses	(15)	(16)
Depreciation and amortisation	–	(8)
Other operating income (expenses), net	–	–
Operating profit (loss)	**9**	**(6)**
Interest income (expense), net	(1)	(1)
Other non-operating (expenses) income, net	5	(2)
Profit (loss) before taxes	**13**	**(8)**
Credit (charge) for taxes, net	–	–
Results from discontinued operations	**13**	**(8)**
Gross gain on disposal of discontinued operations	–	21
Other expenses linked to the disposal of discontinued operations	(2)	(14)
Net gain (loss) on disposal of discontinued operations	**(2)**	**7**
Net profit (loss) from discontinued operations	**11**	**(1)**

Cash Flows from Discontinued Operations (US$ millions)	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash from (used in) operating activities, net	7	(11)
Cash from (used in) investing activities, net	(8)	(1)
Cash from (used in) financing activities, net	5	(1)

Assets Held for Sale and liabilities directly associated with assets held for sale

Senegal

The assets and liabilities were transferred to assets held for sale in relation to our operations in Senegal as at 7 February 2017. The following assets and liabilities are classified as assets held for sale as at 30 June 2017:

Assets and liabilities reclassified as held for sale – Senegal (US$ millions)	30 June 2017
Intangible assets, net	48
Property, plant and equipment, net	108
Other non-current assets	1
Current assets	43
Cash and cash equivalents	12
Total assets of disposal group held for sale	**212**
Non-current financial liabilities	(18)
Current liabilities	(59)
Total liabilities of disposal group held for sale	**(77)**
Net assets	**135**

4. Discontinued operations and assets held for sale (continued)

DRC

The following assets and liabilities were held for sale in relation to Oasis S.A. as at the date of disposal. The assets and liabilities of DRC Mobile Cash were immaterial to the Group and have not been disclosed below:

Assets and liabilities reclassified as held for sale – Oasis S.A. (US$ millions)	20 April 2016
Intangible assets, net.	58
Property, plant and equipment, net	133
Other non-current assets	11
Current assets	42
Cash and cash equivalents	33
Total assets of disposal group held for sale	**277**
Non-current financial liabilities	(44)
Current liabilities	(84)
Total liabilities of disposal group held for sale	**(128)**
Net assets	**149**

Tower Sale and Leaseback – Paraguay

On 26 April 2017, the Group announced an agreement to sell and leaseback approximately 1,400 wireless communications towers in Paraguay to a subsidiary of American Tower Corporation ("ATC") whereby Millicom agreed the sale of tower assets and to lease back a dedicated portion of each tower to locate its network equipment in exchange for cash. As a result of this transaction, our operation in Paraguay will receive approximately Gs700 billion (equivalent to $125 million) in cash. The portions of the assets that will be transferred and that will not be leased back by our operation in Paraguay are classified as assets held for sale as completion of their sale is highly probable.

At 30 June 2017, Millicom had corresponding assets held for sale amounting to $20 million representing the portion of towers sold but yet to be transferred to ATC. Asset retirement obligations related to the towers of $5 million are classified as liabilities directly associated with assets held for sale. The portion of the towers which will be leased back remained capitalized and classified under the caption "Property, plant & equipment, net" in the statement of financial position as at 30 June 2017.

5. Segment information

Millicom presents segmental information based on its two geographical regions (Latin America and Africa) and the figures below include Honduras and Guatemala as if they are fully consolidated by the Group as this reflects the way management reviews and uses internally reported information to make decisions about operating matters. Honduras and Guatemala are shown under the Latin America segment.

5. Segment information (continued)

Revenue, operating profit (loss), EBITDA and other segment information six and three month periods ended 30 June 2017 and 2016 were as follows:

Six-month period ended 30 June 2017 (US$ millions)	Latin America	Africa	Unallocated	Continuing Operations (a)	Guatemala and Honduras (vi)(b)	Eliminations and transfers (c)	Sub-Total (a)+(b)+(c)	Disc Ops(vii)	Total
Revenue	**2,674**	**348**	**–**	**3,022**	**(931)**	**–**	**2,091**	**70**	**2,161**
Operating profit (loss)	**470**	**26**	**(74)**	**421**	**(208)**	**73**	**287**	**14**	**301**
Add back:									
Depreciation and amortization	591	75	3	669	(226)	–	442	2	444
Income (loss) from joint ventures, net	–	–	–	–	–	(73)	(73)		(73)
Other operating income (expenses), net	3	(1)	(3)	–	(3)	–	(3)	–	(3)
EBITDA(i)	**1,064**	**100**	**(73)**	**1,090**	**(437)**	**–**	**653**	**16**	**668**
EBITDA from discontinued operations	–	16	–	16					
EBITDA incl discontinued operations	**1,064**	**115**	**(73)**	**1,106**					
Capital expenditure(ii)	(425)	(61)	–	(486)					
Changes in working capital and others(iii)	(98)	7	(13)	(104)					
Taxes paid	(106)	(4)	3	(107)					
Operating free cash flow(iv)	**469**	**22**	**(83)**	**408**					
Total Assets(v)	**9,942**	**1,406**	**1,327**	**11,642**	**(5,338)**	**3,191**	**9,495**		
Total Liabilities	**5,111**	**1,900**	**2,016**	**7,993**	**(1,923)**	**335**	**6,402**		

Six-month period ended 30 June 2016 (US$ millions)(viii)	Latin America	Africa	Unallocated	Total (a)	Guatemala and Honduras (vi)(b)	Eliminations and transfers (c)	Sub-Total (a)+(b)+(c)	Disc Ops(vii)	Total
Revenue	**2,657**	**382**	**–**	**3,039**	**(944)**	**–**	**2,096**	**100**	**2,195**
Operating profit (loss)	**470**	**31**	**(80)**	**421**	**(211)**	**59**	**269**	**(6)**	**264**
Add back:									
Depreciation and amortization	568	81	3	652	(214)	–	438	18	456
Income (loss) from joint ventures, net	–	–	–	–	–	(59)	(59)	–	(59)
Other operating income (expenses), net	2	–	2	4	(1)	–	3	–	3
EBITDA(i)	**1,040**	**113**	**(75)**	**1,077**	**(426)**	**–**	**651**	**12**	**663**
EBITDA from discontinued operations	–	12	–	12					
EBITDA incl discontinued operations	**1,040**	**125**	**(75)**	**1,090**					
Capital expenditure(ii)	(476)	(78)	(4)	(558)					
Changes in working capital and others(iii)	(63)	(10)	(44)	(117)					
Taxes paid	(125)	(6)	(6)	(137)					
Operating free cash flow(iv)	**376**	**31**	**(129)**	**278**					
Total Assets(v)	**10,609**	**1,671**	**1,587**	**12,363**	**(5,668)**	**3,369**	**10,064**		
Total Liabilities	**5,311**	**2,046**	**2,297**	**8,149**	**(1,954)**	**283**	**6,478**		

(i) EBITDA is used by the management to monitor the segmental performance and for capital management. EBITDA is defined in the Group's 2016 Annual Report.

(ii) Excluding spectrum and licenses of $18 million (2016: $35 million).

(iii) 'Changes in working capital and others' include changes in working capital as stated in the cash flow statement as well as share based payments expense.

5. Segment information (continued)

(iv) Operating Free Cash Flow is EBITDA less capex (excluding spectrum and license costs) less change in working capital, other non-cash items (share-based payments expense) and taxes paid.

(v) Segment assets include goodwill and other intangible assets.

(vi) Including eliminations for Guatemala and Honduras as reported in the Latin America segment.

(vii) See note 4. DRC and Senegal operations were part of the Africa segment.

(viii) Restated as a result of the completion of the fair value measurements of our investments in Guatemala and Honduras joint ventures and of the classification of our operations in Senegal as discontinued operations (see notes 4 and 14)

Three-month period ended 30 June 2017 (US$ millions)	Latin America	Africa	Unallocated	Total (a)	Guatemala and Honduras (vi)(b)	Eliminations and transfers (c)	Sub-Total (a)+(b)+(c)	Disc Ops(vii)	Total
Revenue	**1,345**	**172**	–	**1,517**	**(469)**	–	**1,048**	**37**	**1,085**
Operating profit (loss)	**226**	**8**	**(35)**	**198**	**(106)**	**35**	**128**	**9**	**137**
Add back:									
Depreciation and amortization	296	39	2	336	(113)	–	223	–	223
Income (loss) from joint ventures, net	–	–	–	–	–	(35)	(35)	–	(35)
Other operating income (expenses), net	1	–	(2)	1	(2)	–	(1)	–	(1)
EBITDA(i)	**522**	**47**	**(35)**	**535**	**(220)**	–	**315**	**9**	**324**
EBITDA from discontinued operations	–	9	–	9					
EBITDA incl discontinued operations	**522**	**56**	**(35)**	**545**					
Capital expenditure(ii)	(177)	(33)	–	(209)					
Changes in working capital and others(iii)	(31)	16	(19)	(34)					
Taxes paid	(71)	(2)	(1)	(74)					
Operating free cash flow(iv)	**280**	**2**	**(53)**	**228**					

5. Segment information (continued)

Three-month period ended 30 June 2016 (US$ millions) (viii)	Latin America	Africa	Unallocated	Total (a)	Guatemala and Honduras (vi)(b)	Eliminations and transfers (c)	Sub-Total (a)+(b)+(c)	Disc Ops(vii)	Total
Revenue	**1,349**	**192**	–	**1,540**	**(472)**	–	**1,068**	**33**	**1,101**
Operating profit (loss)	**218**	**17**	**(36)**	**198**	**(96)**	**27**	**129**	**(6)**	**124**
Add back:									
Depreciation and amortization	293	42	–	336	(108)	–	228	8	236
Income (loss) from joint ventures, net	–	–	–	–	–	(27)	(27)	–	(27)
Other operating income (expenses), net	4	–	–	4	–	–	3	–	3
EBITDA(i)	**514**	**58**	**(36)**	**538**	**(204)**	–	**333**	**2**	**335**
EBITDA from discontinued operations	**–**	**2**	**–**	**2**					
EBITDA incl discontinued operations	**514**	**61**	**(36)**	**540**					
Capital expenditure(ii)	(161)	(51)	(1)	(214)					
Changes in working capital and others(iii)	2	39	(38)	3					
Taxes paid	(95)	(3)	(1)	(99)					
Operating free cash flow(iv)	**261**	**46**	**(76)**	**231**					

6. Other non-operating (expenses) income, net

The Group's other non-operating (expenses) income, net comprised the following:

US$ millions	Six months ended 30 June 2017	Six months ended 30 June 2016
Change in fair value of derivatives (see note 13)	(12)	–
Exchange gains (losses), net	6	53
Other non-operating income (expenses), net	(2)	(9)
Total	**(9)**	**44**

US$ millions	Three months ended 30 June 2017	Three months ended 30 June 2016
Change in fair value of derivatives (see note 13)	(10)	6
Exchange gains (losses), net	(10)	23
Other non-operating income (expenses), net	1	1
Total	**(19)**	**30**

7. Earnings per common share

Earnings per common share (EPS) attributable to owners of the Company are comprised as follows:

US$ millions	Six months ended 30 June 2017	Six months ended 30 June 2016
Basic and Diluted		
Net profit attributable to owners of the Company from continuing operations	(20)	71
Net profit attributable to owners of the Company from discontinuing operations	16	6
Net profit attributable to owners of the Company used to determine the earnings per share	(4)	77
in thousands		
Weighted average number of ordinary shares for basic earnings per share	**100,383**	**100,333**
Potential incremental shares	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**100,383**	**100,333**
US$		
Basic		
– EPS from continuing operations attributable to owners of the Company	(0.20)	0.71
– EPS from discontinuing operations attributable to owners of the Company	0.16	0.05
– EPS for the period attributable to owners of the Company	(0.04)	0.77
Diluted		
– EPS from continuing operations attributable to owners of the Company	(0.20)	0.71
– EPS from discontinuing operations attributable to owners of the Company	0.16	0.05
– EPS for the period attributable to owners of the Company	(0.04)	0.77

7. Earnings per common share (continued)

US$ millions	Three months ended 30 June 2017	Three months ended 30 June 2016
Basic and Diluted		
Net profit (loss) attributable to owners of the Company from continuing operations	(39)	40
Net profit (loss) attributable to owners of the Company from discontinuing operations	11	(1)
Net profit (loss) attributable to owners of the Company used to determine the earnings per share	(28)	39
in thousands		
Weighted average number of ordinary shares for basic earnings per share	**100,543**	**100,336**
Potential incremental shares	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**100,543**	**100,336**
US$		
Basic		
– EPS from continuing operations attributable to owners of the Company	(0.39)	0.40
– EPS from discontinuing operations attributable to owners of the Company	0.11	(0.01)
- EPS for the period attributable to owners of the Company	(0.28)	0.39
Diluted		
– EPS from continuing operations attributable to owners of the Company	(0.39)	0.40
– EPS from discontinuing operations attributable to owners of the Company	0.11	(0.01)
– EPS for the period attributable to owners of the Company	(0.28)	0.39

8. Property, plant and equipment

During the six-month period ended 30 June 2017, Millicom added property, plant and equipment for $278 million (30 June 2016: $250 million) and received $3 million in cash from disposal of property, plant and equipment (30 June 2016: $1 million).

9. Intangible assets

During the six-month period ended 30 June 2017, Millicom added intangible assets of $37 million (30 June 2016: $114 million) and received $1 million of proceeds from disposal of intangible assets (30 June 2016: $4 million).

10. Debt and financing

USD 4.75% Senior Notes

In June 2017, the Company announced the redemption of all of the aggregate principal amount of the outstanding 4.750% Senior Notes due 2020 ($341 million). The early redemption fees amounting to $8 million and $7 million of related unamortized costs have been expensed in June 2017 under interest expenses. The principal amount outstanding has been reclassified as short debt as of 30 June 2017 as a consequence of the irrevocable call notice being issued.

10. Debt and financing (continued)

Colombia

In June 2017, Colombia Movil completed a $300 million syndicated loan. The loan, denominated in US dollars, which carries an interest rate of 250 basis points over LIBOR will be repaid in three tranches of $100 million in June and December 2021 for the two first tranches, and in June 2022 for the last tranche. Proceeds have been used to repay an inter-company loan from Millicom, which in turn plans to use the funds to reduce holding company debt (see above) and for general corporate purposes.

MIC SA Revolving Credit Facility

On 30 January 2017, the Company announced the closing of a new $600 million, 5 years Revolving Credit Facility and notified the lenders in the 2014 RCF of the formal cancellation of the commitments outstanding under the 2014 RCF (none of which were drawn at such date).

Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%. As of 30 June 2017, the committed facility was fully undrawn.

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

US$ millions	As at 30 June 2017	As at 31 December 2016
Due within:		
One year	453	80
One-two years	500	252
Two-three years	372	518
Three-four years	414	649
Four-five years	938	850
After five years	1,532	1,552
Total debt	**4,210**	**3,901**

As at 30 June 2017, the Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit or guarantees issued was $667 million (31 December 2016: $640 million). Assets pledged by the Group for these debts and financings amounted to $2 million at 30 June 2017(31 December 2016: $3 million).

Analysis of debt and other financing by maturity

The table below describes the outstanding and maximum exposure under these guarantees and the remaining terms of the guarantees as at 30 June 2017 and 31 December 2016.

	Bank and financing guarantees(i)			
US$ millions	As at 30 June 2017		As at 31 December 2016	
Terms	Outstanding exposure	Theoretical maximum exposure	Outstanding exposure	Theoretical maximum exposure
0-1 year	94	94	38	38
1-3 years	427	427	348	348
3-5 years	146	146	250	250
More than 5 years	–	–	4	4
Total	**667**	**667**	**640**	**640**

(i) If non-payment by the obligor, the guarantee ensures payment of outstanding amounts by the Group's guarantor.

11. Commitments and contingencies

Litigation & claims

The Company and its operations are contingently liable with respect to lawsuits and other legal risks that arise in the normal course of business. As of 30 June 2017, the total amount of claims and litigation risks against Millicom and its operations was $405 million, of which $3 million related to its share in joint ventures (31 December 2016: $406 million, of which $3 million related to its share in joint ventures).

As at 30 June 2017, $33 million, of which $1 million related to its share in joint ventures (31 December 2016: $43 million, of which $1 million related to its share in joint ventures), has been provided for litigation and legal risks in the consolidated statement of financial position. While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

In June 2016, Millicom was served with claims by a third party seeking monetary damages in the amount of $4.6 million and seeking to exert rights as a shareholder of Millicom Tanzania Ltd (Tigo Tanzania). In June 2015, Millicom identified that an incorrect filing related to Tigo Tanzania had been made in the commercial register, causing the register to incorrectly indicate that shares in the local subsidiary were owned by this third party. Millicom remains engaged in legal proceedings regarding this issue. Millicom believes that these claims are entirely without merit and, moreover, maintains that there is no valid basis whatsoever for any third party to claim any interest in Tigo Tanzania or be registered as one of its shareholders. Millicom continues to fully consolidate Tigo Tanzania.

Taxation

At 30 June 2017, the Group estimates potential tax claims amounting to $268 million and tax provisions of $62 million which have been assessed probable and have been recorded (31 December 2016: claims amounting to $311 million and provisions of $65 million). Out of these potential claims and provisions, respectively $48 million and $3 million relate to Millicom's share in joint ventures (31 December 2016: claims amounting to $96 million and provisions of $9 million). The decrease noticed compared to 31 December 2016 is mainly due to the successful application for a tax amnesty for our operation in Honduras.

Potential improper payments on behalf of the Guatemala joint venture

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala. On 4 May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. Millicom continues to cooperate with law enforcement authorities in the United States. As at 30 June 2017, the matter is still under investigation and Management has not been able to assess the potential impact on these interim condensed consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of 30 June 2017.

Capital commitments

At 30 June 2017 the Company, its subsidiaries and joint ventures had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of

11. commitments and contingencies (continued)

$159 million of which $142 million are due within one year (31 December 2016: $179 million of which $162 million are due within one year). Out of these commitments, respectively $21 million and $17 million related to Millicom's share in joint ventures. (31 December 2016: $17 million and $14 million).

12. Related party transactions

The following transactions were conducted with related parties during the six-month and three-month period ended 30 June 2017:

US$ millions (unaudited)	Six months ended 30 June 2017	Six months ended 30 June 2016
Expenses		
Purchases of goods and services from Modern Times Group	1	3
Purchases of goods and services from Miffin	95	91
Purchases of goods and services from EPM	11	10
Lease of towers and related services from Helios	19	16
Other expenses	1	1
Total	**127**	**121**

US$ millions (unaudited)	Six months ended 30 June 2017	Six months ended 30 June 2016
Income / gains		
Sale of goods and services to EPM	9	8
Sale of goods and services to Miffin	132	95
Other revenue related to Helios Towers Tanzania	1	2
Other income / gains	1	3
Total	**143**	**108**

US$ millions (unaudited)	Three months ended 30 June 2017	Three months ended 30 June 2016
Expenses		
Purchases of goods and services from Modern Times Group	–	2
Purchases of goods and services from Miffin	44	56
Purchases of goods and services from EPM	5	6
Lease of towers and related services from Helios	16	5
Other expenses	1	–
Total	**66**	**69**

US$ millions (unaudited)	Three months ended 30 June 2017	Three months ended 30 June 2016
Income / gains		
Sale of goods and services to EPM	5	5
Sale of goods and services to Miffin	66	31
Other income / gains	–	4
Total	**72**	**40**

12. Related party transactions (continued)

As at 30 June 2017 the Company had the following balances with related parties:

US$ millions (unaudited)	At 30 June 2017	At 31 December 2016
Liabilities		
Payables to Guatemala joint venture(i)	170	245
Payables to Honduras joint venture(i)	140	118
Finance lease liabilities to Helios(ii)	92	85
Payables to EPM	3	3
Other accounts payable	26	20
Total	**431**	**471**

(i) Amount payable mainly consist in dividend advances for which dividend is expected to be declared in 2018 and/or shareholder loans.

(ii) Disclosed under "Debt and other financing" in the statement of financial position.

US$ millions (unaudited)	At 30 June 2017	At 31 December 2016
Assets		
Receivables from EPM	5	4
Receivables from Helios Towers	7	10
Other accounts receivable	–	3
Total	**12**	**17**

13. Financial instruments

Other than the items disclosed below, the fair values of financial assets and financial liabilities approximate their carrying values as at 30 June 2017 and 31 December 2016:

US$ millions	Carrying Value		Fair Value(i)	
	30 June 2017 (unaudited)	31 December 2016 (audited)	30 June 2017 (unaudited)	31 December 2016 (audited)
Financial liabilities				
Debt and financing	4,210	3,901	4,501	4,234

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2.

Currency and interest rate swap contracts

Interest rate and currency swaps on SEK and EUR denominated debt are measured with reference to Level 2 of the fair value hierarchy

Interest rate and currency swaps on SEK denominated debt

These swaps are accounted for as a cash flow hedge as the timing and amounts of the cash flows under the swap agreements match the cash flows under the SEK bond. Their maturity date is April 2018 but might be extended. The hedging relationship is highly effective and related fluctuations are recorded through other comprehensive income. At 30 June 2017, the fair values of the swaps amount to a liability of $64 million (31 December 2016: a liability of $84 million).

13. Financial instruments (continued)

Interest rate and currency swaps on Euro denominated debt

In June 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on an intercompany seven-year Euro 134 million principal and related interest financing of its operation in Senegal. At 30 June 2017, the fair value of the swap amounts to an asset of $19 million (31 December 2016: asset of $32 million).

The above hedge is considered ineffective, with fluctuations in the fair value of the hedge recorded through profit and loss.

No other financial instruments have a significant fair value at 30 June 2017.

14. Investments in joint ventures

As disclosed in the Group's consolidated financial statements as at 31 December 2015 and 2016, Millicom deconsolidated its investments in Comcel (Guatemala) and Celtel (Honduras). As from 31 December 2015 onwards, Millicom therefore jointly controls Comcel and Celtel and accounts for its investments in Comcel and Celtel under the equity method and thus reports its share of the net income of each of these businesses in the income statement in the caption "Income (loss) from joint ventures" starting 1 January 2016.

The table below summarises the movements for the year in respect of the Group's joint ventures carrying values:

	2017	
US$ millions	**Guatemala**	**Honduras**
Opening balance at 1 January 2017	**2,180**	**765**
Results for the period	66	5
Dividends declared during the period	(168)	–
Currency exchange differences	7	2
Closing balance at 30 June 2017	**2,085**	**772**

In the fourth quarter of 2016, the Group completed the measurement at fair value of identifiable assets and liabilities for both Guatemala and Honduras operations as of 31 December 2015, the date of recognition of the Group's investment in both operations as joint ventures. This impacted the "Income (loss) from joint ventures". On 30 June 2016, the purchase accounting was still provisional.

14. Investments in joint ventures (continued)

In accordance with IFRS, adjustments to provisional amounts that are made during the measurement period are recognised as if the purchase accounting had been completed at the date of change of control i.e. 31 December 2015. As a result, the Group has restated the comparative financial information for the three and six-month periods ended 30 June 2016 which was affected as follows:

Six months ended 30 June 2016			
US$ millions	**As reported**	**Adjustments**	**As adjusted**
Interim condensed consolidated income statement:			
Income from joint ventures, net	68	(9)	59
Operating profit	270	(9)	261
Profit before taxes from continuing operations	149	(9)	140
Profit for the period from continuing operations	66	(9)	57
Net profit (loss) for the period	80	(9)	71
Attributable to:			
Owners of the Company	86	(9)	77
Earnings per common share for (loss) profit attributable to the owners of the Company:			
Basic (in US$)	0.86	(0.09)	0.77
Diluted (in US$)	0.86	(0.09)	0.77
Interim condensed consolidated statement of comprehensive income:			
Total comprehensive income (loss) for the period	124	(9)	115
Attributable to:			
Owners of the Company	114	(9)	105
Interim condensed consolidated statement of cash flows:			
Profit before taxes from continuing operations	149	(9)	140
Profit before taxes	157	(9)	148
Income from joint ventures, net	(68)	9	(59)

Three months ended 30 June 2016			
US$ millions	**As reported**	**Adjustments**	**As adjusted**
Interim condensed consolidated income statement:			
Income from joint ventures, net	31	(5)	27
Operating profit	129	(5)	125
Profit before taxes from continuing operations	82	(5)	77
Profit for the period from continuing operations	32	(5)	28
Net profit (loss) for the period	39	(5)	35
Attributable to:			
Owners of the Company	44	(5)	39
Earnings per common share for (loss) profit attributable to the owners of the Company:			
Basic (in US$)	0.44	(0.05)	0.39
Diluted (in US$)	0.44	(0.05)	0.39
Interim condensed consolidated statement of comprehensive income:			
Total comprehensive income (loss) for the period	53	(5)	48
Attributable to:			
Owners of the Company	48	(5)	44
Interim condensed consolidated statement of cash flows:			
Profit before taxes from continuing operations	82	(5)	76
Profit before taxes	82	(5)	77
Income from joint ventures, net	(32)	5	(27)

15. Investments in associates

Helios Towers Africa (HTA)

On 8 February 2017, Millicom announced that it initiated a process to sell its 22% stake in HTA. At 30 June 2017, this process is still ongoing.

Latin America Internet Holding GmbH (LIH)

In April 2017, LIH completed the disposal of its shareholding in Easy Taxi to Cabify. As a result, and ultimately, LIH will receive cash and shares in Cabify for a total consideration of approximately $45 million. The transaction resulted in Millicom recognizing a loss of $11 million (Millicom's share) under the caption "income/loss from associates, net".

16. IPO – Millicom's operations in tanzania

In June 2016, an amendment to the Electronic and Postal Communications Act ("EPOCA") in the Finance Act 2016 required all Tanzanian licensed telecom operators to sell 25% of the authorised share capital in a public offering on the Dar Es Salaam Stock Exchange by 31 December 2016. As of 30 June 2017, no licensed operator had completed a public offering, including Millicom's license holding subsidiaries, Millicom Tanzania, Zantel and Telesis. On 13 January 2017, Tigo Tanzania, Zantel and Telesis each received from the Tanzanian Communications Regulatory Authority ("TCRA") a notice of material breach of the license giving thirty-days to comply. Millicom has signaled its intention for its subsidiaries to comply with the law and list its businesses but did not complete the public offerings by such time. Accordingly, Millicom's businesses in Tanzania may face sanctions from the regulator or other government bodies, which could include financial penalties, or even suspension or cancellation of its license although to-date there has been no notification from the TCRA of any indication or intention to proceed with sanctions. Management is currently not able to assess the financial impact on its consolidated financial statements (although the Company deems the suspension or cancellation of the license is unlikely) and therefore no provision has been recorded as of 30 June 2017.

17. Subsequent events

Tower Sale and Leaseback – Colombia

On 18 July 2017, the group announced that its subsidiary Colombia Móvil S.A. E.S.P ("Tigo") has agreed to sell approximately 1,200 wireless communications towers to a subsidiary of American Tower Corporation ("ATC") in Colombia. As a result of the transaction, Tigo will receive approximately 448 billion COP, equivalent to US$147 million, in cash.

Financing – Paraguay

On 4 July 2017, our Paraguayan subsidiary signed a five-year loan agreement with the IPS (Instituto de Prevision Social) and the Inter-American Development Bank for a total amount of PYG 367,000 million (approximately US$66 million). The loan, denominated in local currency, will carry a 9,75% interest rate and start amortizing in Q4 2019.

Independent auditor's report

To the shareholders of Millicom International Cellular S.A.

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 17 May 2016, we have audited the accompanying consolidated financial statements of Millicom International Cellular S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Millicom International Cellular S.A., as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report on pages 90 to 91, which is the responsibility of the Board of Directors is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 92 to 127, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 7 February 2017

Introduction

Corporate information

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

The Company's shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

On 7 February 2017 the Board of Directors (the "Board") authorized these consolidated financial statements for issuance. The approval will be submitted for ratification by the shareholders at the Annual General Meeting to be held on 4 May 2017.

Business activities

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana, Rwanda, Senegal and Tanzania).

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

On 31 December 2015, Millicom deconsolidated its operations in Guatemala and Honduras which are, since that date and for accounting purposes, under joint control. Income statements of those operations are still fully consolidated for the year ended 2015 (see note A.2.2., for further details).

Millicom has investments in online/e-commerce businesses in several countries in Latin America and Africa, investments in a tower holding company in Africa and various investments in start-up businesses providing e-payments and content to its mobile and cable customers.

IFRS consolidated financial statements

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). This is in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards for listed companies domiciled in the European Union.

The financial statements have been prepared on an historical cost basis, except for certain items including derivative financial instruments and call options (measured at fair value), financial instruments that contain obligations to purchase own equity instruments (measured at the present value of the redemption price), and property, plant and equipment under finance leases (initially measured at the lower of fair value and present value of the future minimum lease payments).

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material items are not included in these financial statements.

IFRS consolidated financial statements (continued)

Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as of 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

Foreign currency

Financial information in these financial statements are shown in the US dollar presentation currency of the Group and rounded to the nearest million (US$ million) except where otherwise indicated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associate reflects the economic substance of the underlying events and circumstances of these entities. Except for DRC and El Salvador where the functional currency is US dollar, the functional currency in other countries is the local currency.

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary environment) with functional currency other than the US dollar presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate on 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 ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When the Group disposes of or loses control over a foreign operation, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on sale or loss of control.

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

IFRS consolidated financial statements (continued)

The following table presents functional currency translation rates for the Group's locations to the US dollar on 31 December 2016 and 2015.

Exchange rates to the US dollar	Functional currency	2016 Average rate	2016 Year-end rate	2015 Year-end rate	Change %
Bolivia	Boliviano (BOB)	**6.91**	**6.91**	6.91	n/a
Chad and Senegal	CFA Franc (XAF)	**600.08**	**626.14**	609.96	2.65
Colombia	Peso (COP)	**3,048.51**	**3,000.71**	3,149.47	(4.72)
Costa Rica	Costa Rican Colon (CRC)	**551.47**	**561.10**	544.87	2.98
DRC	US dollar	**n/a**	**n/a**	n/a	n/a
El Salvador	US dollar	**n/a**	**n/a**	n/a	n/a
Ghana	Cedi (GHS)	**3.92**	**4.20**	3.80	10.53
Guatemala	Quetzal (GTQ)	**7.61**	**7.52**	7.63	(1.44)
Honduras	Lempira (HNL)	**22.92**	**23.59**	22.43	5.17
Luxembourg	Euro (EUR)	**0.91**	**0.95**	0.92	3.26
Nicaragua	Cordoba (NIO)	**28.62**	**29.32**	27.93	4.98
Paraguay	Guarani (PYG)	**5,685.89**	**5,766.93**	5,806.91	(0.69)
Rwanda	Rwandan Franc (RWF)	**786.82**	**819.79**	747.41	9.68
Sweden	Krona (SEK)	**8.58**	**9.11**	8.44	7.94
Tanzania	Shilling (TZS)	**2,183.35**	**2,181.00**	2,159.00	1.02
United Kingdom	Pound (GBP)	**0.74**	**0.81**	0.68	19.12

New and amended IFRS accounting standards

Standards or amendments	Objective	IASB effective date
Adopted by Millicom on 1 January 2016 with no material impact to the consolidated financial statements		
Amendment to IAS 1	These amendments are part of the IASB initiative to improve presentation and disclosure in financial report, and rather clarify than significantly change, the existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1, that specific line items in the statement(s) of profit or loss, and Other Comprehensive Income ('OCI') and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements, that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.	1 January 2016
Annual improvements 2014	These set of amendments impact four standards: IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal, IFRS 7, "Financial instruments: Disclosures", IAS 19, "Employee benefits" regarding discount rates, IAS 34, "Interim financial reporting" regarding disclosure of information.	1 January 2016

New and amended IFRS accounting standards (continued)

Standards or amendments	Objective	IASB effective date
Amendments to IAS 38 and IAS 16	Clarification of acceptable methods of depreciation and amortization issued by the IASB in July 2014.	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations issued by the IASB in May 2014.	1 January 2016
Not yet effective and not early adopted by Millicom on 1 January 2016		
IFRS 9, "Financial Instruments"	IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. The Group does not expect IFRS 9 to have a material impact on the consolidated financial statements and intends to adopt IFRS 9 no later than the compulsory adoption date of 1 January 2018.	1 January 2018
IAS 12, "Recognition of deferred tax assets for unrealized losses"	The IASB issued the amendments to IAS 12 Income taxes to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017

New and amended IFRS accounting standards (continued)

Standards or amendments	Objective	IASB effective date
IFRS 15, "Revenue from contracts with customers"	IFRS 15 establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group is currently conducting a Group-wide IFRS 15 assessment and implementation project. Based on the analyses made to date, the Group estimates that IFRS 15 will have an impact on the timing and amount of revenue recognition in connection with certain multiple-element arrangements and more particularly on hardware subsidies (e.g. mobile handsets). Under IFRS 15 a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception (e.g. mobile handset), requiring earlier revenue recognition. The delivery of subsidized handsets would likely lead to the recognition of a contract asset. As a result, this would likely lead to higher revenue from the sale of hardware and to lower revenue from the provision of telecommunications services. The recognition of commission costs related to the acquisition of customers is also expected to be affected as the Group will have to capitalize certain of these commissions. Moreover, the new Standard could impact transactions wherein third parties are involved concerning the gross vs net presentation of revenue. Consequently, IFRS 15 might have a material effect on the statement of financial position and income statement at first-time adoption, however a reasonable estimate of the quantitative impact is not possible to be derived at this stage. The Group expects to adopt IFRS 15 using the cumulative catch-up transition method no later than the compulsory adoption date of 1 January 2018. As the Group does not intend to early adopt the Standard, no material impact on revenue recognition is expected at year-end 2017.	1 January 2018

New and amended IFRS accounting standards (continued)

Standards or amendments	Objective	IASB effective date
IFRS 16, "Leases"	The application of the Standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$727 million, see note G.2. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows. This said, the application of this Standard will affect net debt and leverage ratios of the Group. Some of the commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The new Standard is effective 1 January 2019 (subject to endorsement by the EU). Early application is permitted (as long as the recently issued revenue Standard, IFRS 15 "Revenue from Contracts with Customers" is also applied). The Group intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2019
IAS 7, Disclosure initiative – Amendment to IAS 7	The amendments to IAS 7 Statement of cash flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017
IFRIC 22, "Foreign currency transactions and advance consideration"	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it once it is endorsed by the EU.	1 January 2018

New and amended IFRS accounting standards (continued)

Standards or amendments	Objective	IASB effective date
Annual improvements 2014 – 2016	These amendments impact three standards: IFRS 1, "First-time adoption of IFRS", regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018. The Group does not expect these improvements to have a material impact on the consolidated financial statements.	1 January 2018

Judgments and critical estimates

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. 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 revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and 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 financial statements are disclosed in each note and are summarized below:

Judgments

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

- **Contingent liabilities** – whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- **Leases** – whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see notes E.2. and G.2.).
- **Control** – whether Millicom, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates, or jointly direct the relevant activities of its joint ventures (see notes A.1., A.2.).
- **Discontinued operations and assets held for sale** – definition, classification and presentation (see notes A.4., E.3.1.) as well as measurement of potential provisions related to indemnities.
- **Deferred tax assets** – recognition based on likely timing and level of future taxable profits together with future tax planning strategies (see notes B.6.3. and G.3.2.).
- **Acquisitions** – measurement at fair value of existing and newly identified assets and goodwill, the measurement of property, plant and equipment and intangible assets, and the assessment of useful lives (see notes A.1.2., E.1.1., E.1.5., E.2.1.).

Judgments and critical estimates (continued)

- **Financial instruments that contain obligations to purchase own equity instruments** – determination of the likelihood of change of control events occurring in assessing the fair value of the Guatemala and Honduras put options in 2015 (see note C.6.3.).
- **Defined benefit obligations** – key assumptions related to life expectancies, salary increases and leaving rates, mainly related to UNE Colombia (see note B.4.3.).
- **Impairment testing** – Key assumptions related to future business performance (see notes E.1.2., E.1.6., E.2.2.).

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. 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:

- **Accounting for property, plant and equipment, and intangible assets** in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see note E.2.1.).
- **Useful lives of property, plant and equipment and intangible assets** (see notes E.1.1., E.2.1.).
- **Provisions, in particular provisions for asset retirement obligations, legal and tax risks** (see note F.4.).
- **Revenue recognition** (see note B.1.1.).
- **Impairment testing including** WACC and long term growth rates (see note E.1.6.).
- **Estimates for defined benefit obligations** (see note B.4.3.).
- **Accounting for share-based compensation** in particular estimates of forfeitures and future performance criteria (see note B.4.1., B.4.2.).
- **Fair value of financial assets and liabilities** in particular the put and call options related to our businesses in Guatemala and Honduras and the fair value of such investments on deconsolidation (see note A.2.2., C.6.3.).

Consolidated statement of income for the year ended 31 December 2016

US$ millions	Notes	2016(ii)	2015(i)
Revenue	B.1.	**4,374**	6,572
Cost of sales	B.2.	**(1,279)**	(1,793)
Gross profit		**3,096**	4,778
Operating expenses	B.2.	**(1,781)**	(2,590)
Depreciation	E.2.2.	**(744)**	(1,035)
Amortization	E.1.3.	**(184)**	(246)
Income from joint ventures, net	A.2.	**115**	–
Other operating expenses		**(20)**	(64)
Operating profit	B.3.	**482**	843
Interest expense		**(394)**	(425)
Interest and other financial income		**22**	22
Other non-operating (expenses) income, net	B.5.	**10**	(624)
Income (loss) from associates, net	A.3.	**(49)**	100
Profit (loss) before taxes from continuing operations		**71**	(83)
Charge for taxes, net	B.6.	**(180)**	(278)
Loss for the year from continuing operations		**(109)**	(361)
Profit (loss) for the year from discontinued operations, net of tax	A.4.	**19**	(83)
Net loss for the year		**(90)**	(444)
Attributable to:			
The owners of Millicom		**(32)**	(559)
Non-controlling interests		**(58)**	115
Earnings per common share for profit (loss) attributable to the owners of the Company:			
Basic (US$ per common share):			
– from continuing operations		**(0.51)**	(4.76)
– from discontinued operations		**0.19**	(0.83)
– total	B.7.	**(0.32)**	(5.59)
Diluted (US$ per common share)			
– from continuing operations		**(0.51)**	(4.76)
– from discontinued operations		**0.19**	(0.83)
– total	B.7.	**(0.32)**	(5.59)

(i) Re-presented for discontinued operations (shown in note A.4.).

(ii) The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated income statement is shown in note A.2.2.

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

Consolidated statement of comprehensive income for the year ended 31 December 2016

US$ millions	2016	2015
Net loss for the year	**(90)**	(444)
Other comprehensive income (to be reclassified to the income statement in subsequent periods), net of tax:		
Exchange differences on translating foreign operations(i)	**(14)**	(438)
Change in value of cash flow hedges, net of tax effects	**(3)**	(3)
Other comprehensive income (not to be reclassified to the income statement in subsequent periods), net of tax:		
Remeasurements of post-employment benefit obligations, net of tax effects	**(2)**	–
Total comprehensive loss for the year	**(109)**	(885)
Attributable to:		
Owners of the Company	**(60)**	(897)
Non-controlling interests	**(49)**	12

(i) Cumulative exchange differences of US$192 million has been reclassified in the income statement as of 31 December 2015 following the deconsolidation of Honduras and Guatemala (see note A.2.2.).

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

Consolidated statement of financial position at 31 December 2016

US$ millions	Notes	31 December 2016	31 December 2015(i)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.	**1,359**	1,429
Property, plant and equipment, net	E.2.	**3,057**	3,198
Investments in joint ventures	A.2.	**2,945**	3,220
Investments in associates	A.3.	**331**	376
Deferred tax assets	B.6.	**166**	188
Derivative financial instruments	D.1.2.	**32**	26
Other non-current assets		**72**	75
TOTAL NON-CURRENT ASSETS		**7,961**	8,512
CURRENT ASSETS			
Inventories, net	F.2.	**62**	80
Trade receivables, net	F.1.	**387**	398
Amounts due from non-controlling interests, associates and joint ventures	G.5.	**17**	16
Prepayments and accrued income		**171**	193
Current income tax assets		**101**	125
Supplier advances for capital expenditure		**23**	39
Other current assets		**110**	109
Restricted cash	C.4.	**145**	142
Cash and cash equivalents	C.4.	**646**	769
TOTAL CURRENT ASSETS		**1,661**	1,871
Assets held for sale	E.3.2.	**5**	12
TOTAL ASSETS		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

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

Consolidated statement of financial position (continued) at 31 December 2016

US$ millions	Notes	31 December 2016	31 December 2015(i)
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	C.1.	**638**	639
Treasury shares		**(123)**	(143)
Other reserves	C.1.	**(562)**	(531)
Retained profits		**3,247**	4,071
Loss for the year attributable to equity holders		**(32)**	(559)
Equity attributable to owners of the Company		**3,167**	3,477
Non-controlling interests	A.1.5.	**201**	251
TOTAL EQUITY		**3,368**	3,728
LIABILITIES			
Non-current liabilities			
Debt and financing	C.3.	**3,821**	3,789
Derivative financial instruments	D.1.2.	**84**	65
Amounts due to associates and joint ventures	G.5.	**113**	63
Provisions and other non-current liabilities	F.4.2.	**286**	243
Deferred tax liabilities	B.6.	**57**	50
Total non-current liabilities		**4,361**	4,210
Current liabilities			
Debt and financing	C.3.	**80**	221
Payables and accruals for capital expenditure		**326**	285
Other trade payables		**297**	334
Amounts due to non-controlling interests, associates and joint ventures	G.5.	**273**	581
Accrued interest and other expenses		**376**	425
Current income tax liabilities		**68**	124
Provisions and other current liabilities	F.4.1.	**477**	487
Total current liabilities		**1,898**	2,457
Liabilities directly associated with assets held for sale	E.3.2.	**–**	–
TOTAL LIABILITIES		**6,258**	6,667
TOTAL EQUITY AND LIABILITIES		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

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

Consolidated statement of cash flows for the year ended 31 December 2016

US$ millions	Notes	2016	2015(i)
Cash flows from operating activities			
Profit (loss) before taxes from continuing operations		**71**	(83)
Profit (loss) before taxes from discontinued operations	A.4.	**13**	(70)
Profit (loss) before taxes		**83**	(153)
Adjustments to reconcile to net cash:			
Interest expense (income), net		**397**	442
Interest and other financial income		**(22)**	(22)
Adjustments for non-cash items:			
Depreciation and amortization		**932**	1,321
Income from joint ventures, net	A.2.	**(115)**	–
Loss on disposal and impairment of assets, net	E.1.6.	**19**	66
Share based compensation	C.1.	**14**	19
(Income) loss from associates, net	A.3.	**49**	(100)
Other non-cash non-operating (income) expenses, net	B.5.	**(22)**	622
Changes in working capital:			
Decrease (increase) in trade receivables, prepayments and other current assets		**102**	162
(Increase) decrease in inventories		**19**	17
Increase (decrease) in trade and other payables		**(109)**	(117)
Changes in working capital:		12	62
Interest (paid)		**(357)**	(377)
Interest received		**19**	23
Taxes (paid)		**(130)**	(252)
Net cash provided by operating activities		**878**	1,651
Cash flows from investing activities:			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	A.1.	**–**	(54)
Dividend received from joint-ventures	A.2.2.	**143**	–
Effect of deconsolidation of Guatemala and Honduras subsidiaries	A.2.2.	**–**	(168)
Proceeds from disposal of subsidiaries, net of cash disposed	E.3.2.	**147**	4
Purchase of intangible assets and licenses	E.1.4.	**(143)**	(186)
Proceeds from sale of intangible assets	E.1.3.	**6**	4
Purchase of property, plant and equipment	E.2.3.	**(719)**	(1,019)
Proceeds from sale of property, plant and equipment	E.2.2.	**6**	5
Net (increase) decrease in restricted cash		**–**	(17)
Dividend received from associates	A.3.	**–**	6
Cash (used in) provided by other investing activities, net		**8**	14
Net cash used in investing activities		**(552)**	(1,411)
Cash flows from financing activities:			
Acquisition of non-controlling interests	A.1.2.	**–**	(39)
Proceeds from debt and financing	C.3.	**713**	1,880
Repayment of debt and financing	C.3.	**(821)**	(1,392)
Advances for, and dividends to non-controlling interests	A.1./A.2.	**(68)**	(269)
Payment of dividends to equity holders	C.2.	**(265)**	(264)
Cash (used in) provided by other financing activities, net		**–**	–
Net cash from (used by) financing activities		**(441)**	(84)
Exchange impact on cash and cash equivalents, net		**(8)**	(81)
Net (decrease) increase in cash and cash equivalents		**(123)**	75
Cash and cash equivalents at the beginning of the year		**769**	694
Cash and cash equivalents at the end of the year		**646**	769

(i) Honduras and Guatemala operations are fully consolidated for the year ended 31 December 2015. The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated statement of cash flows are shown in note A.2.2.

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

Consolidated statement of changes in equity for the year ended 31 December 2016

US$ millions	Number of shares (000's)	Number of shares held by the Group (000's)	Share capital(i)	Share premium	Treasury shares	Retained profits(ii)	Put option reserve	Other reserves(iv)	Total	Non-controlling interests	Total equity
Balance on 31 December 2014	**101,739**	**(1,756)**	**153**	**487**	**(160)**	**4,761**	**(2,512)**	**(389)**	**2,339**	**1,391**	**3,730**
Total comprehensive income for the year	–	–	–	–	–	(559)	–	(338)	(897)	12	(885)
Dividends(v)	–	–	–	–	–	(264)	–	–	(264)	(244)	(508)
Purchase of treasury shares	–	(29)	–	–	(2)	–	–	–	(2)	–	(2)
Share based compensation(vi)	–	–	–	–	–	–	–	19	19	–	19
Issuance of shares under share based compensation schemes	–	209	–	(1)	19	–	–	(18)	–	–	–
Change in scope of consolidation(vii)	–	–	–	–	–	(48)	–	3	(45)	10	(35)
Effect of deconsolidation(ix)	–	–	–	–	–	–	–	192	192	(918)	(726)
Put option liability reversal(iii)	–	–	–	–	–	(377)	2,512	–	2,135	–	2,135
Balance on 31 December 2015(viii)	**101,739**	**(1,574)**	**153**	**486**	**(143)**	**3,513**	**–**	**(531)**	**3,477**	**251**	**3,728**
Total comprehensive income for the year	–	–	–	–	–	(32)	–	(28)	(60)	(49)	(109)
Dividends(v)	–	–	–	–	–	(265)	–	–	(265)	–	(265)
Purchase of treasury shares	–	(37)	–	–	(3)	–	–	–	(3)	–	(3)
Share based compensation(vi)	–	–	–	–	–	–	–	14	14	–	14
Issuance of shares under share based compensation schemes	–	216	–	(1)	23	(1)	–	(17)	4	–	4
Balance on 31 December 2016	**101,739**	**(1,395)**	**153**	**485**	**(123)**	**3,215**	**–**	**(562)**	**3,167**	**201**	**3,368**

(i) Share capital and share premium – see note C.1.

(ii) Retained profits – includes profit for the year attributable to equity holders, of which $321 million; (2015: $384 million) are not distributable to equity holders.

(iii) Put option reserve – see note C.1.

(iv) Other reserves – see note C.1.

(v) Dividends – see notes C.2.

(vi) Share-based compensation – see note C.1.

(vii) Change in scope of consolidation in 2015 – Zantel, Edatel and Tigo Rwanda see note A.1.2.

(viii) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

(ix) Effect of deconsolidation of Honduras and Guatemala – see note A.2.2.

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

Notes to the consolidated financial statements for the year ended 31 December 2016

A. The Millicom Group

The Group comprises a number of holding companies and operating subsidiaries with various combinations of mobile, fixed line telephony, cable and wireless PayTV, internet and Mobile Financial Services businesses. The Group also holds investments in a tower holding company investing in Africa and in online businesses in Latin America and Africa.

A.1. Subsidiaries

Subsidiaries are all entities which Millicom controls. Millicom controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. Millicom has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally, control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether Millicom controls an entity. For example, although Millicom holds less than 50% of the shares in its Colombian businesses, it holds more than 50% of shares with voting rights. The contrary may also be true (e.g. Guatemala and Honduras).

Our main subsidiaries are as follows:

Entity	Country	Activities	31 December 2016 % holding	31 December 2015 % holding
Central America				
Telemovil El Salvador S.A.	El Salvador	Mobile, MFS	**100.0**	100.0
Cable El Salvador S.A. de C.V.	El Salvador	Cable, DTH	**100.0**	100.0
Navega.com SA, Succursal El Salvador	El Salvador	Cable, DTH	**100.0**	100.0
Cable Costa Rica S.A.	Costa Rica	Cable, DTH	**100.0**	100.0
South America				
Telefonica Celular de Bolivia S.A.	Bolivia	Mobile, DTH, MFS, Cable	**100.0**	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	Mobile, MFS, Cable, PayTV	**100.0**	100.0
Colombia Móvil S.A. E.S.P.(i)	Colombia	Mobile	**50.0-1 share**	50.0-1 share
UNE EPM Telecomunicaciones S.A.(i)	Colombia	Fixed line, Internet, PayTV, Mobile	**50.0-1 share**	50.0-1 share
Edatel S.A. E.S.P.(i)	Colombia	Fixed line, Internet, PayTV, Cable	**50.0-1 share**	50.0-1 share
Africa				
Millicom Ghana Company Limited	Ghana	Mobile, MFS	**100.0**	100.0
Sentel GSM S.A.	Senegal	Mobile, MFS	**100.0**	100.0
MIC Tanzania Limited(iii)	Tanzania	Mobile, MFS	**100.0**	100.0
Oasis S.A.(ii)	DRC	Mobile, MFS	**–**	100.0
Millicom Tchad S.A.	Chad	Mobile, MFS	**100.0**	100.0
Millicom Rwanda Limited	Rwanda	Mobile, MFS	**100.0**	100.0
Zanzibar Telecom Limited	Tanzania	Mobile, MFS	**85.0**	85.0
Unallocated				
Millicom International Operations S.A.	Luxembourg	Holding Company	**100.0**	100.0
Millicom International Operations B.V.	Netherlands	Holding Company	**100.0**	100.0
MIC Latin America B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Africa B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Holding B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Spain S.L.	Spain	Holding Company	**100.0**	100.0

(i) Fully consolidated as Millicom has the majority of voting shares to direct the relevant activities.

(ii) Disposed of in April 2016 and classified as discontinued operations for the year then ended (see note A.1.4.).

(iii) See note H.

A. The Millicom Group (continued)

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to Millicom. If facts and circumstances indicate that there are changes to one or more of the elements of control, a reassessment is performed to determine if control still exists. Subsidiaries are de-consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Acquisition of subsidiaries and increases in non-controlling interests in subsidiaries

During the year ended 31 December 2016, Millicom did not make any significant acquisition.

During 2015 Millicom acquired 85% of the shares and control of Zanzibar Telecom Limited, raised its stake in its Rwandan subsidiary from 87.5% to 100% and in one of the UNE subsidiaries (Edatel S.A. E.S.P.) from 80% to 100%. The Group also made other smaller acquisitions for a total consideration of US$20 million.

Acquisition of Zanzibar Telecom Limited on 22 October 2015

On 4 June 2015 Millicom's fully owned Swedish subsidiary Millicom International Ventures AB entered into an agreement to purchase 85% of Zanzibar Telecom Limited ("Zantel"). The agreed purchase consideration was US$1 subject to final price adjustment and included a shareholder loan. In addition Millicom assumed Zantel's debt obligations. The transaction completed on 22 October 2015 after receipt of regulatory approvals. A final price adjustment, if any, may still occur in the coming months after the appointment of an independent expert. The deal also includes a reverse earn-out mechanism based on Zantel's achievement of EBITDA targets for the period from 2017 to 2019. No amounts have been recognized under this mechanism.

For the purchase accounting, Millicom determined the fair value of Zantel based on transaction and relative values. The non-controlling interest was measured based on the proportionate share of the fair value of the net assets of Zantel. The purchase accounting was updated and finalized in 2016 when additional information became available regarding fair values of acquired assets and liabilities.

22 October 2015 (US$ millions)	Initial fair values 100%	Final fair values 100%	Change
Intangible assets (excluding goodwill), net.(i)	36	**75**	39
Property, plant and equipment, net(ii)	40	**32**	(8)
Other non-current assets(iii)	1	**14**	13
Current assets (excluding cash)(iv)(v)	30	**41**	11
Cash and cash equivalents	5	**5**	–
Total assets acquired	112	**167**	55
Non-current liabilities	81	**77**	(4)
Current liabilities	104	**103**	(1)
Total liabilities assumed	185	**180**	(5)
Fair value of assets acquired and liabilities assumed, net	(73)	**(13)**	60
Fair value of non-controlling interest in Zantel	(39)	**(2)**	37
Millicom's interest in the fair value of Zantel	(34)	**(11)**	23
Acquisition price (US$1 dollar)	–	**–**	–
Goodwill	34	**11**	(23)

A. The Millicom Group (continued)

(i) Intangible assets not previously recognized are a trademark for an amount of US$10 million, with indefinite useful life, a customer list for an amount of US$13 million, with estimated useful life of four years, telecommunication spectrum licenses for an amount of US$23 million, with estimated useful life of ten years and favorable contracts for US$2 million. Certain IRUs were also written down to their fair values for an amount of US$9 million.

(ii) Certain network and civil works assets were adjusted down to their fair value for an amount of US$10 million. Certain land values were also stepped up to their fair value for an amount of US$2 million.

(iii) The change in other non-current assets mainly corresponds to the step up at fair value of Zantel's 9% investment in the West Indian Ocean Cable Company Limited ("WIOCC"), a telecommunications carriers' carrier.

(iv) Current assets includes indemnification assets at fair value for an amount of US$11 million.

(v) The fair value of trade receivables acquired was US$19 million.

The update of the purchase price allocation resulted in an impact on net income of less than US$(1) million for the year ended 31 December 2015, which has been considered as immaterial and has not triggered a restatement of the prior year income statement. The goodwill, which comprises the fair value of the assembled work force and expected synergies from the acquisition, is not tax deductible.

Control over UNE and subsidiaries obtained on 14 August 2014

On 1 October 2013 Millicom signed an agreement with Empresas Públicas de Medellín E.S.P. ("EPM"), to combine and merge their mutual interests in Millicom's Colombian operations ("Colombia Móvil"), with UNE EPM Telecomunicaciones S.A. ("UNE"). The merger created a business offering a comprehensive range of bundled digital services including mobile and fixed telephony, mobile and fixed broadband and PayTV products and services in complementary geographic areas. The transaction was completed on 14 August 2014.

In August 2015, the purchase accounting for the acquisition of UNE was finalized. The completion of the purchase price allocation resulted in an impact on net profit of US$(2) million for the year ended 31 December 2015.

A.1.3. Cash flows from acquisition of subsidiaries, joint ventures and associates

Cash inflows and outflows (US$ millions)	2016	2015
Net cash acquired from acquisition of Zantel	–	5
Increase in shareholdings (investments) in Online businesses	–	(29)
Other acquisitions (net of cash acquired)	–	(30)
Total	–	(54)

A.1.4. Disposal of subsidiaries and decreases in non-controlling interests of subsidiaries

DRC

On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. (see note E.3.).

A. The Millicom Group (continued)

Other disposals

For the year ended 31 December 2016, Millicom did not dispose of any investments. For the year ended 31 December 2015, Millicom disposed of minor subsidiries for a cash consideration of US$4 million.

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests

At 31 December 2016, Millicom's subsidiaries with material non-controlling interests were the Group's operations in Colombia (UNE and Colombia Móvil).

Balance sheet – non-controlling interests 31 December (US$ millions)	2016	2015
Colombia (including UNE and Colombia Móvil)	**207**	254
Others	**(6)**	(3)
Total	**201**	251

Profit (loss) attributable to non-controlling interests (US$ millions)	2016	2015
Guatemala operations (until 31 December 2015 – see note A.2.2.)	**–**	148
Honduras operations (until 31 December 2015 – see note A.2.2.)	**–**	20
Colombia (including UNE and Colombia Móvil)	**(55)**	(50)
Others	**(3)**	(3)
Total	**(58)**	115

The summarized financial information for the year ended 31 December 2015 in respect of material non-controlling interests in the Guatemala and Honduras operations are presented in note A.2.2.

The summarized financial information for material non-controlling interests in our operation in Colombia (including UNE and Colombia Móvil) is provided below. This information is based on amounts before inter-company eliminations.

UNE and subsidiaries (including Colombia Móvil) (US$ millions)	2016	2015
Revenue	**1,717**	1,982
Total operating expenses	**(660)**	(751)
Operating profit	**40**	94
Net (loss) for the year	**(110)**	(100)
50% non-controlling interest in net (loss)	**(55)**	(50)
Total assets (excluding goodwill)	**2,221**	2,278
Total liabilities	**1,776**	1,745
Net assets	**445**	533
50% non-controlling interest in net assets	**223**	266
Consolidation adjustments	**(16)**	(12)
Total non-controlling interest	**207**	254
Dividends and advances paid to non-controlling interest	**67**	11
Net cash from operating activities	**366**	423
Net cash from (used in) investing activities	**(340)**	(435)
Net cash from (used in) financing activities	**(24)**	(25)
Exchange impact on cash and cash equivalents, net	**1**	(38)
Net (decrease) in cash and cash equivalents	**3**	(75)

A. The Millicom Group (continued)

A.2. Joint ventures

Joint ventures are businesses over which Millicom exercises joint control as decisions over the relevant activities of each require unanimous consent of shareholders. Millicom determines the existence of joint control by reference to joint venture agreements, articles of association, structures and voting protocols of the Board of Directors of those ventures.

Our main joint ventures are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Latin America				
Comunicaciones Celulares S.A.	Guatemala	Mobile, MFS	**55**	55
Navega.com S.A.	Guatemala	Cable, DTH	**55**	55
Telefonica Celular S.A.	Honduras	Mobile, MFS	**66.7**	66.7
Navega S.A. de CV	Honduras	Cable, MFS	**66.7**	66.7

The carrying values of Millicom's investments in joint ventures was as follows:

Carrying value of investments in joint ventures at 31 December (US$ millions)	%	2016	2015
Honduras operations(i)	66.7	**766**	983
Guatemala operations(i)	55	**2,179**	2,237
Total		**2,945**	3,220

(i) Includes all the companies under the Honduras and Guatemala groups.

The table below summarizes the movements for the year in respect of the Group's joint ventures carrying values:

	2016	
US$ millions	Guatemala	Honduras
Opening balance at 1 January 2016	**2,237**	**983**
Results for the year	**106**	**9**
Dividends declared during the year	**(166)**	**(178)**
Currency exchange differences	**2**	**(48)**
Closing balance at 31 December 2016	**2,179**	**766**

At 31 December 2016 and 2015 the Group had not incurred obligations, nor made payments on behalf of Guatemala or Honduras operations.

A.2.1. Accounting for joint ventures

Joint ventures are accounted for using the equity method of accounting and are initially recognized at cost (i.e. fair value at the time of deconsolidation for investments in Honduras and Guatemala). The Group's investments in joint ventures include goodwill (net of any accumulated impairment loss) on acquisition.

The Group's share of post-acquisition profits or losses of joint ventures is recognized in the consolidated income statement under "Income from joint ventures, net" and its share of post-acquisition movements in reserves is recognized in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any

A. The Millicom Group (continued)

other unsecured receivables, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the joint ventures.

Gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in joint ventures are recognized in the income statement.

After application of the equity method, including recognizing the joint venture's losses, the Group applies IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to its net investment in the joint venture.

A.2.2. Honduras and Guatemala operations deconsolidation

Effective 1 July 2010 (Honduras) and 1 January 2014 (Guatemala), Millicom reached agreements with its respective local partners whereby the local partners granted Millicom an unconditional call option for a duration of five years (Honduras) and two years (Guatemala) for their respective stakes in its Honduras and Guatemala operations. At the same time, and as a consideration for the call options, Millicom granted put options for the same duration to its local partners. The put options were exercisable on a change of control of Millicom International Cellular S.A., or Millicom's subsidiaries that hold the shares in the Honduras and Guatemala operations.

On 19 June 2015 Millicom reached an agreement with its local partner to extend Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business until 31 December 2015 and in return extended the local partners conditional put option over the 33.3% stake. All other terms and conditions of the put and call options remained unchanged.

Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business, as extended by six months from 1 July 2015 expired unexercised on 31 December 2015, and accordingly the Honduran business was deconsolidated from 31 December 2015.

Similarly, Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired unexercised on 31 December 2015 and, accordingly, the Guatemala business was deconsolidated from 31 December 2015.

At the same time, the conditional put options Millicom provided to the other shareholders also lapsed.

As a consequence, on 31 December 2015, Millicom deconsolidated its investments in Honduras and Guatemala operations and accounted for them under the equity method, initially at fair value of respectively US$2.2 billion for Guatemala and US$1.0 billion for Honduras, resulting in a loss on the deconsolidation of these businesses amounting to US$391 million, including recycling of foreign currency exchange losses accumulated in equity of US$192 million, which was recorded under "Other non-operating income (expenses), net". The fair values of Honduras and Guatemala operations were determined based on a discounted cash flow calculation.

As from 31 December 2015 onwards, Millicom therefore jointly controls the Honduras and Guatemala operations and accounts for its investments in these operations under the equity method and reports its share of the net income of each of these businesses in the income statement in the caption "Income (loss) from joint ventures, net" since 1 January 2016.

A. The Millicom Group (continued)

Lapse of the put options for both operations resulted in the extinguishment of both put option liabilities amounting to US$2,135 million on 31 December 2015. The carrying values of both liabilities have been settled against the put option reserve within equity for US$2,512 million (amount recognized at inception) and against retained profits for the residual difference of US$(377) million as of 31 December 2015.

Summarized financial information for the years ended 31 December 2016 and 2015 of the Guatemala and Honduras operations is as follows. This information is based on amounts before inter-company eliminations.

Guatemala(i) (US$ millions)	2016	2015
Revenue	**1,284**	1,306
Cost of sales(ii)	**(252)**	(258)
Gross profit	**1,033**	1,048
Operating expenses	**(401)**	(396)
Depreciation and amortization	**(281)**	(232)
Other operating income (expenses), net(iii)	**(21)**	(1)
Operating profit	**330**	419
Financial income (expenses), net	**(73)**	(64)
Other non-operating income (expenses), net	**4**	–
Profit before taxes	**261**	355
Charge for taxes, net	**(67)**	(77)
Profit for the year	**194**	278
Net profit for the year attributable to Millicom	**106**	130
45% non-controlling interest in net profit	**–**	(125)
Consolidation adjustments	**–**	(23)
Non-controlling interest in net profit for Guatemala	**–**	(148)
Dividends and advances paid to Millicom	**77**	216
Total assets (excluding goodwill)	**3,077**	2,937
Total liabilities	**1,251**	1,289
Net assets	**1,826**	1,648
Net cash from operating activities	**438**	525
Net cash from (used in) investing activities	**(236)**	(658)
Net cash from (used in) financing activities	**(65)**	195
Exchange impact on cash and cash equivalents, net	**(3)**	1
Net increase in cash and cash equivalents	**134**	63

(i) Includes all operations under the combined Guatemala group.

(ii) Include a provision for impairment of $24 million (2015: $18 million) related to the video surveillance contracts with the Civil National Police. No revenue has been recognised from the contracts from 1 July 2016.

(iii) Include an impairment of $18 million on the fixed assets bought in the context of the video surveillance contracts.

A. The Millicom Group (continued)

Honduras(i) (US$ millions)	2016	2015
Revenue	**609**	649
Cost of sales	**(142)**	(159)
Gross profit	**467**	490
Operating expenses	**(249)**	(207)
Depreciation and amortization	**(160)**	(124)
Other operating income (expenses), net	**(3)**	–
Operating profit	**54**	159
Financial income (expenses), net	**(27)**	(22)
Other non-operating income (expenses), net	**(14)**	(45)
Profit before taxes	**13**	92
Charge for taxes, net	**–**	(51)
Profit for the year	**13**	41
Net profit for the year attributable to Millicom	**9**	21
33.33% non-controlling interest in net profit	**–**	(14)
Consolidation adjustments	**–**	(6)
Non-controlling interest in net profit for Honduras	**–**	(20)
Dividends and advances paid to Millicom	**66**	42
Total assets (excluding goodwill)	**902**	950
Total liabilities	**691**	625
Net assets	**210**	325
Net cash from operating activities	**85**	175
Net cash from (used in) investing activities	**(17)**	(180)
Net cash from (used in) financing activities	**(69)**	6
Net (decrease) increase in cash and cash equivalents	**(1)**	1

(i) Includes all operations under the combined Honduras group.

A. The Millicom Group (continued)

The Group's key results and cash flows, excluding Guatemala and Honduras entities, would have been as follows for the year ended 31 December 2015:

Summary Group income statement, financial position and cash flows with Guatemala and Honduras operations as joint ventures (US$ millions)	2016	2015
Revenue	**4,374**	4,616
Cost of sales	**(1,279)**	(1,376)
Gross profit	**3,096**	3,241
Operating expenses	**(1,781)**	(1,987)
Depreciation and amortization	**(928)**	(926)
Other operating expenses	**(20)**	(63)
Share of net profit in Guatemala and Honduras operations	**115**	151
Operating profit	**482**	416
Net financial expense	**(372)**	(318)
Other non-operating income (expenses), net	**10**	(578)
(Loss) income from joint ventures and associates, net	**(49)**	100
Profit (loss) before taxes	**71**	(379)
Charge for taxes, net	**(180)**	(150)
Loss for the year	**(109)**	(529)
Profit (loss) for the year from discontinued operations, net of tax	**19**	(83)
Non-controlling interests	**58**	53
Net profit (loss) for the year attributable to Millicom	**(32)**	(559)
Total assets	**9,627**	10,395
Total liabilities	**6,258**	6,667
Net assets	**3,368**	3,728
Net cash from operating activities	**878**	951
Net cash from (used in) investing activities	**(552)**	(406)
Net cash from (used in) financing activities	**(441)**	(285)
Exchange impact on cash and cash equivalents, net	**(8)**	(82)
Net (decrease) increase in cash and cash equivalents	**(123)**	178

A. The Millicom Group (continued)

The assets and liabilities of the Guatemala and Honduras operations on 31 December 2016 and 2015 are as follows:

Summary statements of financial position of Guatemala and Honduras operations (US$ millions)	2016		2015	
	Guatemala	Honduras	Guatemala	Honduras
Assets				
Intangible assets, net (excluding goodwill)	**1,440**	**213**	1,253	204
Property, plant and equipment, net	**717**	**429**	710	320
Other non-current assets	**2**	**1**	2	1
Deferred taxes	**8**	**–**	4	–
Inventories	**14**	**6**	22	10
Trade receivables	**56**	**37**	58	35
Prepayments	**32**	**6**	37	7
Amounts due from related parties	**466**	**184**	639	351
Supplier advances	**24**	**–**	31	1
Other current assets	**24**	**4**	22	8
Restricted cash	**4**	**7**	4	–
Cash and cash equivalents	**289**	**13**	155	13
Total assets	**3,077**	**902**	2,937	950
Liabilities				
Debt and financing	**988**	**402**	984	391
Deferred tax liabilities	**4**	**98**	2	60
Other non-current liabilities	**48**	**18**	26	11
Payables and accruals for capital expenditure	**55**	**35**	66	23
Other trade payables	**12**	**12**	40	10
Amounts due to related parties	**12**	**7**	20	11
Other current provisions and liabilities	**132**	**120**	150	119
Total liabilities	**1,251**	**691**	1,289	625
Net assets	**1,826**	**210**	1,648	325

A.2.3. Purchase price allocation for Honduras and Guatemala

In 2016, the Group had completed the purchase price allocations for both the Guatemala and Honduras operations as of 31 December 2015, the date of recognition of the Group's investment in both operations as joint ventures. For the purchase accounting, Millicom determined the fair values of these operations based on discounted cash flows.

Guatemala – 31 December 2015 (US$ millions)	Carrying values 55%	Fair Values 55%	Change
Intangible assets (excluding goodwill), net(i)	689	905	216
Property, plant and equipment, net(ii)	390	409	19
Other non-current assets	3	3	–
Current assets (excluding cash)	446	446	–
Cash and cash equivalents	87	87	–
Total assets	**1,615**	**1,850**	**235**
Non-current financial liabilities	557	560	3
Current liabilities	152	152	–
Total liabilities	**709**	**712**	**3**
Carrying value/fair value of assets and liabilities, net	**906**	**1,137**	**231**
Fair value of the Group's investment in joint venture	–	2,237	–
Goodwill	**–**	**1,100**	**–**

A. The Millicom Group (continued)

(i) Intangible assets increase mainly consists of step-up recognized on the trademark for an amount of US$71 million, with indefinite useful life and the customer lists for an amount of US$148 million, with estimated remaining useful life of seven years.

(ii) Certain network and civil works assets were adjusted to their fair value for an amount of US$19 million.

Honduras – 31 December 2015 (US$ millions)	Carrying values 66.7%	Fair Values 66.7%	Change
Intangible assets (excluding goodwill), net(i)	136	200	64
Property, plant and equipment, net(ii)	213	307	94
Other non-current assets	1	1	–
Current assets (excluding cash)	274	274	–
Cash and cash equivalents	9	9	–
Total assets	**633**	**791**	**158**
Non-current financial liabilities	308	358	51
Current liabilities	109	109	–
Total liabilities	**417**	**467**	**51**
Carrying value/fair value of assets and liabilities, net	**216**	**324**	**107**
Fair value of the Group's investment in joint venture	–	983	–
Goodwill	**–**	**660**	**–**

(i) Intangible assets increase mainly consists of step-up recognized on the customer lists for an amount of US$64 million, with estimated remaining useful life between two and ten years.

(ii) Certain property, plant and equipment assets were adjusted to their fair value for an amount of US$94 million.

For the year ended 31 December 2016, the additional amortization related to the assets recognized as part of the purchase price allocation exercise (net of tax) amounted to US$22 million for Guatemala and US$19 million for Honduras, at Millicom's equity stake of which is recorded under the caption "Income from joint ventures, net".

A.2.4. Impairment of investment in joint ventures

While no impairment indicators were identified for the Group's investments in joint ventures in 2016, according to its policy, Management have completed an impairment test for its joint ventures in Guatemala and Honduras.

The impairment test in respect of the Group's investments in joint ventures (both equity and loans) is conducted on the same basis as for goodwill impairment test (see note E.1.6.). Group's investments in Guatemala and Honduras operations were tested for impairment by assessing their recoverable amount (using a value in use model based on discounted cash flows) against their carrying amounts. The cash flow projections used were extracted from financial budgets approved by Management and the Board covering a period of five years or more. Cash flows beyond this period have been extrapolated using a perpetual growth rate of 1.0% – 2.0%. Discount rates used in determining recoverable amounts were 8.3% and 9.9%, respectively.

For the year ended 31 December 2016, and as a result of the impairment testing described above, Management concluded that none of the Group's investments in joint ventures should be impaired.

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing.

A. The Millicom Group (continued)

A.3. Investments in associates

Millicom's investments in associates mainly represent its shareholding in Helios Towers Africa Ltd (HTA) and its investments in the African and Latin American online businesses (AIH and LIH). Millicom has significant influence over these companies but not control or joint control.

Our main associates are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Africa				
Helios Towers Africa Ltd (HTA)(i)	Mauritius	Holding of Tower infrastructure company	**22.83**	28.25
Africa Internet Holding GmbH (AIH)(ii)	Germany	Online marketplace, retail and services	**10.15**	33.33
West Indian Ocean Cable Company Limited ("WIOCC")(iii)	Republic of Mauritius	Telecommunication carriers' carrier	**9.1**	9.1
Latin America				
MKC Brilliant Holding GmbH (LIH)	Germany	Online marketplace, retail and services	**35.0**	35.0
Unallocated				
Milvik AB	Sweden	Other	**26.75**	26.75

(i) On 7 October 2015, Millicom and HTA signed an agreement whereby Millicom owns 28.25% of shares in HTA (24.4% on a fully diluted basis) following a shareholding exchange. As a result, shares held by Millicom in HTA's tower companies in Ghana, DRC and Tanzania have been exchanged for shares in HTA (see note A.3.2.).

(ii) During 2015, Millicom ceased to jointly control AIH following changes in AIH shareholder rights. Hence AIH has been considered as an investment in associate as from 31 December 2015.

(iii) WIOCC was acquired as part of Zantel acquisition (see section A.1.2).

At 31 December 2016 the carrying value of Millicom's main associates was as follows:

Carrying value of investments in associates at 31 December (US$ millions)	2016	2015
MKC Brilliant Holding GmbH (LIH)	**55**	99
African Internet Holding GmbH (AIH)	**64**	36
Helios Tower Africa Ltd (HTA)	**189**	215
Milvik AB	**9**	12
West Indian Ocean Cable Company Limited (WIOCC)	**14**	13
Total	**331**	376

The summarized financial information for the Group's main material associates is provided below.

Summary of statement of financial position of associates at 31 December (US$ millions)	2016	2015
Total current assets	**458**	400
Total non-current assets	**938**	1,427
Total assets	**1,395**	1,827
Total current liabilities	**585**	252
Total non-current liabilities	**335**	530
Total liabilities	**920**	782
Total net assets	**475**	1,045
Millicom's carrying value of its investment in associates	**331**	376

A. The Millicom Group (continued)

Share of net profit (loss) from associates (US$ millions)	2016	2015
Revenue	**463**	237
Operating expenses	**(329)**	(420)
Operating profit (loss)	**(172)**	(183)
Net profit (loss) for the year/investment period	**(257)**	(143)
Millicom's share of results from associates	**(49)**	(47)

A.3.1. Accounting for investments in associates

The Group accounts for associates in the same way as it accounts for joint ventures.

A.3.2. Acquisitions and disposals of interests in associates

Africa Internet Holding GmbH (AIH)

AIH indirectly owns a number of companies that provide online services and online marketplaces in certain countries in Africa mainly under the brand name of Jumia.

Changes in ownership and accounting for AIH

Various shareholder funding rounds were signed in late 2015 and in 2016. Millicom did not participate and therefore maintained its initial investment at EUR70 million. In addition, during June 2016, there was a capital restructuring whereby all investors rolled up into AIH. During 2016, these transactions have all been duly executed and as a result Millicom's shareholding in AIH has been reduced to 10%. This has triggered the recognition of a net dilution gain of US$43 million in the Group income statement under "Income (loss) from associates, net".

Additionally, following the changes in AIH governance which took place in 2015 and as foreseen in the shareholders' agreement, Millicom lost its joint control but retains a significant influence over AIH – Millicom keeps one Board representative who will continue to participate in the decision making process of AIH. Therefore, at 31 December 2015 and 2016, the investment in AIH is accounted for as an associate using the equity method of accounting.

Millicom investment in African towers company, Helios Towers Africa

On 7 October 2015, Millicom and Helios Towers Africa ("HTA") signed an agreement whereby Millicom owns 28.2% of shares in HTA (24% on a fully diluted basis) following a shareholding exchange.

Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains significant influence over HTA.

This transaction simplified the share ownership structure of HTA, aligned interest among shareholders and moved Millicom's shareholding to the parent company of HTA. The exchange of shares, which has commercial substance in accordance with IAS 28 and IAS 16, has resulted in the Group recognizing its investment in HTA at fair value and hence a gain on disposal of its investments in the different tower companies of US$147 million under "Income (loss) from joint ventures and associates, net".

During 2016, Millicom's shareholding has been diluted from 28.2% to 22.8% as a result of previous committed cash calls and new investors' funding. This has resulted in Millicom

A. The Millicom Group (continued)

recognizing a gain on dilution of US$16 million. The gain has been recorded in the Group income statement under "Income (loss) from associates, net".

Latin America Internet Holding GmbH (LIH)

During 2015, LIH contributed its investments in its operating subsidiaries Kanui and Tricae to Global Fashion Group in a share for share transaction, recognizing a net gain of US$11 million (Millicom's share). Global Fashion Group is partly owned by Rocket Internet and Kinnevik. LIH's shareholding in Global Fashion Group was determined from the relative value of Kanui and Tricae and the post-merger value of Global Fashion Group.

During March 2015, LIH disposed of its interest in HelloFood and LIH declared a US$6 million dividend to Millicom, which had been received by 31 December 2015.

During 2016, Millicom's 35% investment in LIH has been impaired by US$40 million mainly as a result of the drop in fair value of LIH's investment in the Global Fashion Group.

A.4. Discontinued operations

A.4.1. Classification of discontinued operations

Discontinued operations are those which have identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic area which has been disposed of, or are held for sale. Revenue and expenses associated with discontinued operations are presented retrospectively in a separate line in the consolidated income statement. Millicom considers that the loss of path to control of operations by the termination of a contractual arrangement (e.g. termination without exercise of an unconditional call option agreement giving path to control) does not require presentation as a discontinued operation.

A.4.2. Millicom's discontinued operations

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. For further details, refer to note E.3.

B. Performance

B.1. Revenue

Millicom's revenue comprises sale of services from its mobile, cable & digital media, and Mobile Financial Services businesses, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, TV services, B2B contracts, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by business unit (US$ millions)	2016	2015
Mobile	**2,505**	4,226
Cable & Digital Media	**1,398**	1,582
Mobile Financial Services	**129**	123
Telephone and equipment and other	**342**	641
Total	**4,374**	6,572

B. Performance (continued)

Revenue from continuing operations by country or operation (US$ millions)	2016	2015
Colombia	**1,717**	1,982
Guatemala	**–**	1,306
Paraguay	**623**	673
Honduras	**–**	649
Bolivia	**542**	531
El Salvador	**425**	448
Tanzania	**347**	358
Chad	**166**	152
Costa Rica	**152**	151
Ghana	**142**	135
Other countries(i)	**260**	187
Total	**4,374**	6,572

(i) Including Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.1.1. Accounting for revenue

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of good and services, net of value added tax, rebates and discounts and after eliminating intra-group sales. Generally, this is the value of the invoice to the customer.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Generally, this occurs when the service has been provided to the customer, or when the related equipment is delivered or passed to the customer.

Recurring revenue is recognized on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime and data usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription product and service revenue is deferred and recognized over subscription period. Related costs are deferred and recognized over the same period.

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 deferred revenue within "other current liabilities".

Revenue from the sale of handsets and accessories are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Bundled offers such as various services sold together, are divided into separate units of accounting if the products and services in the bundle meet certain criteria. The price paid by the customer is then allocated among the separate products and services based on their relative fair values or using the residual method. Revenue is then recognized separately for each product and service.

Revenue from content services such as video messaging, ringtones, games, music, eBooks etc., are recognized net of payments to the content providers under certain conditions. These include whether the providers are responsible for the content, determining the price paid by the customer, and where the provider assumes the credit risk. For such services the Group is

B. Performance (continued)

considered to be acting in substance as an agent. Other revenue is recognized on a gross basis with any third party costs recognized as cost of sales and services.

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

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 capacity has been delivered to the customer, based on the amount expected to be received from the customer.

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

B.2. Expenses

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales (US$ millions)	2016	2015(i)
Direct costs of services sold	**(953)**	(1,153)
Cost of telephone, equipment and other accessories	**(261)**	(501)
Bad debt and obsolescence costs	**(65)**	(139)
Cost of sales	**(1,279)**	(1,793)

Operating expenses, net (US$ millions)	2016	2015(i)
Marketing expenses	**(528)**	(802)
Network maintenance costs	**(231)**	(334)
Employee related costs (B.4.)	**(483)**	(634)
External and other services	**(232)**	(335)
Rentals and operating leases	**(135)**	(191)
Other operating expenses	**(217)**	(299)
Other operating income	**45**	5
Operating expenses, net	**(1,781)**	(2,590)

(i) Included Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.2.1. Accounting for cost of sales and operating expenses

Cost of sales

Cost of sales is recorded on an accrual basis.

Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to marketing expenses when the customer is activated.

Operating leases

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

B. Performance (continued)

B.3. Segmental information

Management determines operating and reportable segments based on the reports that are used by the Chief Operating Decision Maker ("CODM") to make strategic and operational decisions from both a business and geographic perspective. The Group's risks and rates of return for its operations are predominantly affected by operating in different geographical regions. The Group has businesses in two main regions: Latin America and Africa (2015: three regions: Central and South America and Africa). In 2015, the Group reviewed the presentation of the segment information and introduced EBITDA as a key performance indicator reviewed by the CODM.

The deconsolidation of Honduras and Guatemala (note A.2.2.), did not impact our internal reporting for management purposes and therefore Honduras and Guatemala are still shown as fully consolidated in the Group's segmental reporting.

Year ended 31 December 2016 (US$ millions)	Latin America	Africa	Unallocated	Total (a)	Guatemala and Honduras(v) (b)	Eliminations and transfers (c)	Subtotal (a)+(b)+(c)	Disc ops(vi)	Total
Revenue	**5,352**	**896**	**–**	**6,249**	**(1,875)**	**–**	**4,374**	**40**	**4,414**
Operating profit (loss)	**848**	**62**	**(150)**	**761**	**(394)**	**115**	**482**	**2**	**484**
Add back:									
Depreciation and amortization	**1,173**	**188**	**7**	**1,368**	**(440)**	**–**	**928**	**3**	**931**
Income (loss) from joint ventures, net	**–**	**–**	**–**	**–**	**–**	**(115)**	**(115)**	**–**	**(115)**
Other operating income (expenses), net	**42**	**7**	**(6)**	**43**	**(24)**	**–**	**20**	**–**	**20**
EBITDA(i)	**2,063**	**258**	**(148)**	**2,172**	**(858)**	**–**	**1,314**	**5**	**1,319**
Capital expenditure(ii)	**(886)**	**(159)**	**(6)**	**(1,051)**					
Changes in working capital and others	**37**	**(5)**	**(33)**	**(1)**					
Taxes paid	**(233)**	**(17)**	**(9)**	**(259)**					
Operating Free Cash Flow(iii)	**981**	**77**	**(197)**	**861**					
Total Assets(iv)	**10,386**	**1,406**	**1,357**	**11,883**	**(5,589)**	**3,332**	**9,627**		
Total Liabilities	**5,229**	**1,852**	**1,997**	**7,812**	**(1,942)**	**388**	**6,258**		

Year ended 31 December 2015 (US$ millions)	Latin America	Africa	Unallocated	Total	Eliminations	Disc ops(vi)	Total
Revenue	5,740	829	3	6,572	–	158	6,730
Operating profit (loss)	1,109	(61)	(205)	843	–	(53)	791
Add back:							
Depreciation and amortization	1,087	190	4	1,281	–	40	1,321
Other operating income (expenses), net	7	54	3	64	–	2	66
EBITDA(i)	**2,204**	**184**	**(199)**	**2,188**	**–**	**(10)**	**2,178**
Capital expenditure(ii)	(950)	(181)	8	(1,123)			
Changes in working capital and others	18	(16)	77	79			
Taxes paid	(230)	(16)	(6)	(252)			
Operating Free Cash Flow(iii)	**1,041**	**(30)**	**(119)**	**892**			
Total Assets(iv)	10,566	1,979	2,044	14,589	(4,226)	–	10,398
Total Liabilities	5,128	2,279	2,769	10,176	(3,504)	–	6,670

B. Performance (continued)

(i) EBITDA is used by the management to monitor the segmental performance and for capital management. EBITDA is defined in the front section of the Annual Report.

(ii) Cash spent for capital expenditure excluding spectrum and licenses of US$39 million (2015: US$47 million).

(iii) Operating free cash flow by segment includes share-based compensation as a cash transaction.

(iv) Segment assets include goodwill and other intangible assets.

(v) Including eliminations for Guatemala and Honduras as reported in the Latin America segment.

(vi) See note E.3.2. DRC operations were part of the Africa segment.

B.4. People

Number of permanent employees	2016	2015
Continuing operations(i)	**13,962**	12,698
Guatemala and Honduras	**4,023**	3,093
Discontinued operations	**–**	165
Total	**17,985**	15,956

(i) Including Tigo Nicaragua. Emtelco headcount are excluded from this report and any internal reporting because their costs are classified as direct costs and not employee related costs.

(US$ millions)	Note	2016	2015(i)
Wages and salaries		**(314)**	(461)
Social security		**(70)**	(66)
Share based compensation	B.4.1.	**(14)**	(19)
Pension and other long-term benefit costs	B.4.3.	**(6)**	(20)
Other employee related costs		**(79)**	(67)
Total		**(483)**	(634)

(i) Including costs for the year for Guatemala and Honduras

B.4.1. Share based compensation

Millicom shares granted to management and key employee compensation includes share based compensation in the form of long-term share incentive plans. In 2015, Millicom issued four types of plans, a deferred share plan, a performance share plan, an executive share plan and the sign-on CEO share plan (which is a one-off plan). Up until 2015, Millicom had two types of plan, a future performance plan and a deferred share plan. Since 2016, Millicom has two types of plans, a performance share plan and a deferred share plan. The different plans are further detailed below.

Cost of share based compensation (US$ millions)	2016	2015
2013 incentive plans	**–**	2
2014 incentive plans	**(1)**	(6)
2015 incentive plans	**(3)**	(15)
2016 incentive plans	**(10)**	–
Total share based compensation	**(14)**	(19)

B. Performance (continued)

Deferred Share Plan (unchanged from 2014)

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

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

Future Performance Share plan (valid until 2014 and replaced by the Performance Share Plan as from 2015)

For the future performance plan, participants earn the right to receive shares on the third anniversary of the grant date. The right and the number of shares that vest are conditional 50% based on Return on Capital Investment (ROIC) and 50% based on EPS and upon the participant remaining employed with Millicom at the vesting date. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above. At 31 December 2016, the 2014 future performance plan is vested.

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

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

Performance Share Plan (issued in 2015)

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

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

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

Executive Share Plan (new 2015)

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

B. Performance (continued)

Similarly to the Performance Share Plan, a specific valuation has been performed based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions. The FCF condition being a non-market measure, it has been considered together with the leaving estimate and based initially on a 100% fulfillment expectation. Therefore, the reference share price is the share price on the date that the CEO and the CFO agreed to the Executive Share Plan.

Performance Share Plan (issued in 2016)

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

This Performance Share Plan is measured similarly to the Performance Share Plan issued in 2015, see above.

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

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 US$)
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**
Performance Share Plan 2015	**(0.32)**	**2.78**	**23**	**2.57**	**32.87**
Executive Share Plan 2015 – Component A	**(0.32)**	**N/A**	**23**	**2.57**	**53.74**
Executive Share Plan 2015 – Component B	**(0.32)**	**N/A**	**23**	**2.57**	**29.53**

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

The cost of the long-term incentive plans which are conditional on market conditions is calculated as follows:

Fair value (market value) of shares at grant date (as calculated above) x number of shares expected to vest.

The cost of these plans is recognized, together with a corresponding increase in equity (share compensation reserve), over the period in which the performance and/or employment conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. Adjustments are made to the expense recorded for forfeitures, mainly due to management and employees leaving Millicom. Non- market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the 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. These are treated as vested regardless of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is

B. Performance (continued)

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.

Plan awards and shares expected to vest (number of shares)	2016 Plans		2015 Plans				2014 Plans		2013 Plans	
	Performance plan	Deferred plan	Performance plan	Executive plan	CEO plan	Deferred plan	Future plan	Deferred plan	Future plan	Deferred plan
Initial shares granted	**200,617**	**285,978**	98,137	40,664	77,344	237,620	164,015	219,767	173,586	208,979
Additional shares granted(i)	**–**	**1,338**	–	–	–	–	–	1,306	13,453	4,165
Total shares granted	**200,617**	**287,316**	98,137	40,664	77,344	237,620	164,015	221,073	187,039	213,144
Revision for forfeitures	**(10,331)**	**(26,222)**	(26,826)			(51,129)	(124,603)	(79,702)	(151,967)	(76,184)
Total before issuances	**190,286**	**261,094**	71,311	40,664	77,344	186,491	39,412	141,371	35,072	136,690
Shares issued in 2014	**–**	**–**	–	–	–	–	–	–	–	(31,977)
Shares issued in 2015	**–**	**–**	–	–	–	–	–	(32,555)	–	(25,889)
Shares issued in 2016	**(1,214)**	**(1,733)**	(771)		(25,781)	(38,745)	–	(25,508)	(35,072)	(79,094)
Performance conditions	**–**	**–**	–	–	–	–	–	–	–	–
Shares still expected to vest	**189,072**	**259,361**	70,540	40,664	51,563	147,746	39,412	83,308	n/a	n/a
Estimated cost over the vesting period (US$ millions)	**8**	**16**	4	2	6	15	5	16	n/a	n/a

(i) Additional shares granted include new joiners and/or consideration for the impact of special dividends paid in 2012.

B.4.2. Share options

Prior to 2006, Millicom granted options to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or director completing one to five years of service (the vesting period) and were exercisable starting from one year to five years from the grant date. Shares issued from exercise of share options have the same rights as common shares.

By 31 December 2015 all share options had been exercised. The cost of share options was recorded in the exercise periods (until and prior to 2011).

	2016		2015	
Movements in share options	**Average exercise price in US$ per share**	**Number of options**	**Average exercise price in US$ per share**	**Number of options**
Outstanding at beginning of the year	**–**	**–**	22.55	45,000
Expired or forfeited	**–**	**–**	–	–
Exercised	**–**	**–**		(45,000)
Outstanding and exercisable at end of year	**–**	**–**	–	–

B. Performance (continued)

B.4.3. Pension and other long term employee benefit plans

Pension Plans

The pension plans apply to employees who meet certain criteria (including years of service, age and participation in collective agreements).

Pension and other similar employee related obligations can result from either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. No further payment obligations exist once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using an appropriate discount rate based on maturities of the related pension liability.

Re-measurement of net defined benefit liabilities are recognized in other comprehensive income and not reclassified to the income statement in subsequent years.

Past service costs are recognized in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability.

Long-Service Plans

Long-service plans apply to employees with more than five years of service whereby additional bonuses are paid to employees that reach each incremental length of service milestone (from five to 40 years).

Termination Plans

The Group's Colombian subsidiary UNE has a number of employee defined benefit plans. The level of benefits provided under the plans depends on collective employment agreements and Colombian labor regulations. There are no defined assets related to the plans, and UNE make payments to settle obligations under the plans out of available cash balances.

At 31 December 2016, the defined benefit obligation liability amounted to US$37 million (2015: US$37 million) and payments expected in the plans in future years totals US$86 million (2015: US$92 million). The average duration of the defined benefit obligation at 31 December 2016 is seven years (2015: eight years). The termination plans apply to employees that joined UNE prior to 30 December 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

B. Performance (continued)

Except for the UNE pension plan described above, there are no other significant defined benefits plans in the Group.

B.4.4. Directors' and Executive Management

The remuneration of the members of the Board of Directors comprises an annual fee and shares. Director remuneration is proposed by the Nomination Committee and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

Remuneration charge for the Board (gross of withholding tax) (US$ '000)	2016	2015
Chairperson	**243**	180
Other members of the Board(i)	**900**	878
Total(ii)	**1,143**	1,058

(i) In addition, in 2015, US$62,700 (EUR 57,000) was paid to three directors for their work on the special committee.

(ii) Cash compensation converted from SEK to USD at exchange rates on payments dates each year. Share based compensation based on the market value of Millicom shares on the 2016 AGM date (in total 8,002 shares). Net remuneration comprised 50% in shares and 50% in cash (SEK) (2015: 38% in shares and 62% in cash).

Shares beneficially owned by the Directors (number of shares)	2016	2015
Chairperson	**3,000**	80,645
Other members of the Board	**24,316**	17,013
Total	**27,316**	97,658

The remuneration of executive management of Millicom comprises an annual base salary, an annual bonus, share based compensation, social security contributions, pension contributions and other benefits. Bonus and share based compensation plans (see note B.4.1.) are based on actual and future performance. Share based compensation is granted once a year by the Compensation Committee of the Board.

If the employment of Millicom's senior executives is terminated, severance of up to 12 months' salary is potentially payable.

The annual base salary and other benefits of the Chief Executive Officer ("CEO") and the Executive Vice Presidents ("Executive Team") is proposed by the Compensation Committee and approved by the Board.

Remuneration charge for the Executive Team (US$ '000)	CEO	CFO	Executive Team (9 members)
2016			
Base salary	**1,000**	**599**	**3,797**
Bonus	**660**	**450**	**1,411**
Pension	**150**	**82**	**513**
Other benefits	**48**	**18**	**720**
Termination benefits	**–**	**–**	**–**
Total before share based compensation	**1,858**	**1,149**	**6,441**
Share based compensation(i)(ii) in respect of 2016 LTIP	**2,660**	**1,481**	**4,031**
Total	**4,518**	**2,630**	**10,472**

B. Performance (continued)

Remuneration charge for the Executive Team (US$ '000)	CEO	Former CEO	CFO	Executive Team (10 members)
2015				
Base salary	750	304	989	3,721
Bonus	1,006	–	1,206	1,870
Pension	113	–	95	671
Other benefits	11	–	14	1,085
Termination benefits	–	2,854	–	682
Total before share based compensation	1,880	3,158	2,304	8,029
Share based compensation(i)(ii) in respect of 2015 LTIP	7,501	–	1,051	3,823
Total	9,381	3,158	3,355	11,852

(i) See note B.4.1.

(ii) Share awards of 49,171 and 104,573 were granted in 2016 under the 2016 LTIPs to the CEO, and Executive Team (2015: 104,800 and 64,930, respectively).

Shares and unvested share awards beneficially owned by the Executive Team (number of shares)	CEO	Executive Team	Total
2016			
Shares	27,020	34,472	61,492
Share awards not vested	114,739	173,399	288,138
2015			
Shares	–	11,714	11,714
Share awards not vested	104,008	82,823	186,831

B.5. Other non-operating (expenses) income, net

Non-operating items mainly comprise changes in values of options, derivatives and the impact of foreign exchange fluctuations on results of the Group.

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Change in carrying value / lapse of put options (see note C.6.3.)	**–**	125
Change in carrying value / lapse of call options (see note C.6.3.)	**–**	(71)
Change in fair value of derivatives (see note D.1.2.)	**3**	32
Exchange gain (loss), net	**16**	(304)
Loss on deconsolidation of Honduras and Guatemala, including recycling of foreign currency exchange losses accumulated in equity (see note A.2.2.)	**–**	(391)
Other non-operating income (expenses), net	**(8)**	(15)
Total	**10**	(624)

Foreign exchange gains and losses

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

B. Performance (continued)

B.6. Taxation

B.6.1. Income tax expense

Tax mainly comprises income taxes of subsidiaries and withholding taxes on intragroup dividends and royalties for use of Millicom trademarks and brands. Millicom operations are in jurisdictions with income tax rates of 10% to 40% levied on either revenue or profit before income tax (2015: 10% to 40%). Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement.

Income tax charge (US$ millions)	2016	2015
Income tax (charge) credit		
Withholding tax	**(44)**	(76)
Other income tax relating to the current year	**(73)**	(201)
	(117)	(277)
Adjustments in respect of prior years	**(27)**	6
	(144)	(271)
Deferred tax (charge) credit		
Origination and reversal of temporary differences	**53**	142
Effect of change in tax rates	**1**	(14)
	54	128
(Increase) decrease in unrecognized deferred tax assets	**(97)**	(126)
	(43)	2
Adjustments in respect of prior years	**7**	(9)
	(36)	(7)
Tax (charge) credit on continuing operations	**(180)**	(278)
Tax (charge) credit on discontinuing operations	**6**	(13)
Total tax (charge) credit	**(174)**	(291)

Reconciliation between the tax expense and tax at the weighted average statutory tax rate is as follows:

	2016			2015		
Income tax calculation (US$ millions)	Continuing operations	Discont'd operations	Total	Continuing operations	Discont'd operations	Total
Profit before tax	**71**	**13**	**84**	(83)	(70)	(153)
Tax at the weighted average statutory rate	**19**	**(4)**	**15**	62	24	86
Effect of:						
Items taxed at a different rate	**14**	**–**	**14**	21	–	21
Change in tax rates on deferred tax balances	**1**	**–**	**1**	(15)	–	(15)
Expenditure not deductible and income not taxable	**(66)**	**9**	**(57)**	(234)	(7)	(241)
Unrelieved withholding tax	**(44)**	**–**	**(44)**	(76)	–	(76)
Accounting for associates and joint ventures	**29**	**–**	**29**	23	–	23
Movement in deferred tax on unremitted earnings	**(16)**	**–**	**(16)**	7	–	7
Unrecognized deferred tax assets	**(115)**	**(5)**	**(120)**	(127)	(30)	(157)

B. Performance (continued)

Income tax calculation (US$ millions)	2016 Continuing operations	2016 Discont'd operations	2016 Total	2015 Continuing operations	2015 Discont'd operations	2015 Total
Recognition of previously unrecognized deferred tax assets	**18**	**–**	**18**	64	–	64
Adjustments in respect of prior years	**(20)**	**6**	**(14)**	(3)	–	(3)
Total tax (charge) credit	**(180)**	**6**	**(174)**	(278)	(13)	(291)
Weighted average statutory tax rate	**26.8%**		**17.9%**	74.7%		56.2%
Effective tax rate	**253.5%**		**207.1%**	334.9%		190.2%

B.6.2. Current tax assets and liabilities

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 by the statement of financial position date.

B.6.3. Deferred tax

Deferred tax is calculated using the liability method on 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 tax assets are recognized for all temporary differences including unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 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 them. Unrecognized deferred 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 asset to be recovered.

B. Performance (continued)

Deferred 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. 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.

Deferred tax (US$ millions)(i)	Fixed assets	Unused tax losses	Unremitted earnings	Other	Offset	Total
Balance at 1 January 2015	**(140)**	**153**	**(23)**	**120**		**110**
Acquisitions	–	–	–	–		–
Effect of deconsolidation	55	–	–	2		57
Adjustments to goodwill	(22)	22	–	–		–
(Charge)/credit to income statement	38	(45)	6	(6)		(7)
(Charge)/credit to other comprehensive income	–	–	–	–		–
Exchange differences	22	(21)	1	(24)		(22)
	(47)	109	(16)	92		138
Deferred tax assets	81	109	–	108	(110)	188
Deferred tax liabilities	(128)	–	(16)	(16)	110	(50)
Balance at 31 December 2015	**(47)**	**109**	**(16)**	**92**	**–**	**138**
Acquisitions	–	–	–	–		–
Transfers to Assets Held for Sale	(1)	–	–	–		(1)
(Charge)/credit to income statement	24	3	(16)	(47)		(36)
(Charge)/credit to other comprehensive income	–	–	–	1		1
Exchange differences	1	1	–	5		7
	(23)	113	(32)	51		109
Deferred tax assets	84	113	–	65	(96)	166
Deferred tax liabilities	(107)	–	(32)	(14)	96	(57)
Balance at 31 December 2016	**(23)**	**113**	**(32)**	**51**	**–**	**109**

(i) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

The Group historically recognized a deferred tax asset of US$70 million on the tax losses of the Company. Based on re-assessment made during 2015, management concluded that the deferred tax asset can no longer be supported and it has been reversed late 2015. There is no cash tax impact and this treatment does not impact the availability of the tax losses in the future.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deductible temporary differences (US$ millions)	Fixed assets	Unused tax losses	Other	Total
At 31 December 2016	**68**	**4,501**	**190**	**4,759**
At 31 December 2015	77	2,636	60	2,773

B. Performance (continued)

Unrecognized loss carryforwards expire as follows:

Unrecognized tax losses related to continuing operations (US$ millions)	2016	2015
Expiry:		
Within one year	**27**	152
Within one to five years	**493**	282
No expiry	**3,981**	2,202
Total	**4,501**	2,636

At 31 December 2016, Millicom had US$1,696 million of unremitted earnings of Millicom operating subsidiaries for which no deferred tax liabilities were recognized (2015: US$921 million). Except for intragroup dividends to be paid out of 2016 profits in 2017 for which deferred tax of US$32m has been provided, it is anticipated that intragroup dividends paid in future periods will be made out of profits of future periods.

B.7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of dilutive potential shares.

Net profit/(loss) used in the earnings per share computation (US$ millions)	2016	2015
Basic and diluted:		
Net profit/(loss) attributable to equity holders from continuing operations	**(51)**	(476)
Net profit/(loss) attributable to equity holders from discontinued operations	**19**	(83)
Net profit/(loss) attributable to all equity holders to determine the basic earnings per share	**(32)**	(559)

Weighted average number of shares in the earnings per share computation (thousands of shares)	2016	2015
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**100,337**	100,144
Potential incremental shares as a result of share options	**–**	10
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**100,337**	100,154

C. Capital structure and financing

C.1. Share capital, share premium and reserves

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases the Company's share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity holders until the shares are canceled,

C. Capital structure and financing (continued)

reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Share capital, share premium	2016	2015
Authorized and registered share capital (number of shares)	**133,333,200**	133,333,200
Subscribed and fully paid up share capital (number of shares)	**101,739,217**	101,739,217
Par value per share	**US$1.50**	US$1.50
Share capital (US$ millions)	**153**	153
Share premium (US$ millions)	**485**	486
Total (US$ millions)	**638**	639

Other equity reserves (US$ millions)	Legal reserve	Equity settled transaction reserve	Hedge reserve	Currency translation reserve	Pension obligation reserve	Total
As of 31 December 2014	16	44	2	(453)	1	(389)
Share based compensation	–	19	–	–	–	19
Issuance of shares – 2012, 2013, 2014 LTIPs	–	(18)	–	–	–	(18)
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–
Cash flow hedge reserve movement	–	–	(3)	–	–	(3)
Effect of deconsolidation (see note A.2.2.)	–	–	–	192	–	192
Currency translation movement	–	–	–	(332)	–	(332)
As of 31 December 2015	16	46	(1)	(593)	1	(531)
Share based compensation	–	14	–	–	–	14
Issuance of shares – 2013, 2014, 2015 LTIPs	–	(17)	–	–	–	(17)
Remeasurements of post-employment benefit obligations	–	–	–	–	(2)	(2)
Cash flow hedge reserve movement	–	–	(3)	–	–	(3)
Currency translation movement	–	–	–	(23)	–	(23)
As of 31 December 2016	**16**	**43**	**(4)**	**(616)**	**(1)**	**(562)**

C.1.1. Legal reserve

If Millicom International Cellular S.A. reports an annual net profit on a non-consolidated basis, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution. No appropriation was required in 2015 or 2016 as the 10% minimum level was reached in 2011 and maintained each subsequent year.

C.1.2. Equity settled transaction reserve

The cost of share options and LTIPs is recognized as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When

C. Capital structure and financing (continued)

the options are exercised their cost is transferred from the equity-settled transaction reserve to share capital and share premium. When shares under the LTIPs vest and are issued the corresponding reserve is transferred to share premium.

C.1.3. Hedge reserve

The effective portions of changes in value of cash flow hedges are recorded in the hedge reserve (see note C.1.).

C.1.4. Currency translation reserve

In the financial statements, the relevant captions in the statements of financial position of subsidiaries without US dollar functional currencies are translated to US dollars using the closing exchange rate. Income statements or income statement captions (included those of joint ventures and associates) are translated to US dollars at monthly average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from these translations.

C.2. Dividend distributions

On 17 May 2016 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2015 was approved by the shareholders at the Annual General Meeting and distributed in May 2016.

On 15 May 2015 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2014 was approved by the shareholders at the Annual General Meeting and distributed in June 2015.

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations. At 31 December 2016, US$321 million (31 December 2015: US$384 million) of Millicom's retained profits represent statutory reserves that are unavailable to be distributed to owners of the Company.

C. Capital structure and financing (continued)

C.3. Debt and financing

Debt and financing by type (US$ millions)	Note	2016	2015
Debt and financing due after more than one year			
Bonds	C.3.1.	**2,561**	2,630
Banks	C.3.2.	**940**	877
Finance leases	C.3.3.	**290**	327
Other financing		**95**	32
Total non-current financing		**3,886**	3,866
Less: portion payable within one year		**(65)**	(77)
Total non-current financing due after more than one year		**3,821**	3,789
Debt and financing due within one year			
Bonds	C.3.1.	**–**	46
Banks	C.3.2.	**–**	89
Finance leases	C.3.3.	**5**	9
Other financing		**10**	–
Total current debt and financing		**15**	144
Add: portion of non-current debt payable within one year		**65**	77
Total		**80**	221
Total debt and financing		**3,901**	4,010

Debt and financing by location(i) (US$ millions)	2016	2015
Millicom International Cellular S.A. (Luxembourg)	**1,747**	2,003
Colombia	**841**	660
Paraguay	**408**	412
Bolivia	**306**	253
Tanzania	**192**	214
Rwanda	**80**	131
Chad	**76**	109
Ghana	**54**	61
DRC	**–**	40
Senegal	**14**	17
Cable Central America	**92**	104
El Salvador	**89**	6
Total debt and financing	**3,901**	4,010

(i) No amounts appear in 2015 and 2016 for Guatemala and Honduras because of their deconsolidation.

Debt and financings are initially recognized at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method or at fair value. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

C. Capital structure and financing (continued)

C.3.1. Bond financing

Bond financing (US$ millions)	Note	Country	Maturity	Interest rate %	2016	2015
SEK Senior Unsecured Variable Rate Notes	(1)	Luxembourg	2017	STIBOR +3.5(i)	–	207
SEK Senior Unsecured Fixed Rate Notes	(1)	Luxembourg	2017	5.125	–	27
USD 4.75% Senior Notes	(2)	Luxembourg	2020	4.75	**333**	486
USD 6% Senior Notes	(3)	Luxembourg	2025	6	**495**	494
USD 6.625% Senior Notes	(4)	Luxembourg	2021	6.625	**652**	791
SEK Senior Unsecured Variable Rate Notes	(5)	Luxembourg	2019	STIBOR +3.3	**217**	–
USD 6.75% Senior Notes	(6)	Paraguay	2022	6.75	**296**	295
USD 6.875% Senior Notes(ii)	(7)	Guatemala	2024	6.875	–	–
BOB 4.75% Notes	(8)	Bolivia	2020	4.75	**112**	135
BOB 4.05% Notes	(8)	Bolivia	2020	4.05	**15**	15
BOB 4.85% Notes	(8)	Bolivia	2023	4.85	**85**	85
BOB 3.95% Notes	(8)	Bolivia	2024	3.95	**50**	–
BOB 4.30% Notes	(8)	Bolivia	2029	4.30	**25**	–
UNE Bond 1 (tranches A and B)	(9)	Colombia	2020	CPI + 5.10	**50**	47
UNE Bond 2 (tranches A and B)	(9)	Colombia	2016/2023	CPI + 3.70 / 4.80	**50**	94
UNE Bond 3 (tranche A)	(9)	Colombia	2024	9.35	**53**	–
UNE Bond 3 (tranche B)	(9)	Colombia	2026	CPI+4.15	**85**	–
UNE Bond 3 (tranche C)	(9)	Colombia	2036	CPI+4.89	**43**	–
Total bond financing					**2,561**	2,676

(i) STIBOR – Swedish Interbank Offered Rate.

(ii) No amounts appear in 2015 and 2016 for Guatemala because of their deconsolidation and classification as joint ventures.

(1) SEK Senior Unsecured Notes

On 30 October 2012 Millicom issued Senior Unsecured Floating Rate Notes of Swedish Krona ("SEK") 1.75 billion and Senior Unsecured Fixed Rate Notes of SEK 0.25 billion both repayable in five years. At the same time, Millicom entered into various cross currency interest rate swap contracts whereby Millicom will receive SEK and sell USD to hedge against exchange and interest rate fluctuations.

On 12 April 2016, Millicom offered to purchase for cash any and all of its SEK 250 million (approximately US$31 million) 5.125% Senior Unsecured Fixed Rate Notes due 2017 (the "Fixed Rate Notes") and its SEK 1.75 billion (approximately US$219 million) STIBOR +3.500% Senior Unsecured Floating Rate Notes due 2017 (the "Floating Rate Notes", and together with the Fixed Rate Notes, the "Notes").

Following the early and regular tender offers, SEK 186 million (approximately US$23 million) and SEK 1.498 billion (approximately US$187 million) in aggregate principal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, have been repaid. Millicom has paid to such noteholders 105.8% and 102.8% of the nominal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, together with any accrued interest.

C. Capital structure and financing (continued)

After settlement, SEK 64 million (approximately US$8 million) in aggregate principal amount of the Fixed Rate Notes (25.6%) and SEK252 million (approximately US$32 million) in aggregate principal amount of the Floating Rate Notes (14.4%) remained outstanding.

On 19 September 2016, the Group has notified holders of both Bonds of the early voluntary redemption of the notes in full. The outstanding notes totaling SEK 316 million (approximately US$40 million) of principal were redeemed in October 2016.

The total early redemption fees amounting to US$8 million have been recorded under interest expenses. The remaining US$1 million of related unamortized costs were also expensed during 2016.

(2) USD 4.75% Senior Notes

On 22 May 2013, Millicom issued a US$500 million fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations. Withheld costs of issuance of US$10 million and paid costs of US$9 million are amortized over the seven-year life of the notes (effective interest rate of 5.29%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/ EBITDA.

In November 2016, MIC S.A. announced an offer to purchase for cash up to US$300 million of its 4.750% Senior Notes due 2020 and its 6.625% Senior Notes due 2021 (the "Notes"). In December 2016, the Company confirmed that it had accepted to purchase US$300 million in aggregate principal amount of the Notes of which US$158 million of its 4.750% Senior Notes due 2020. The early redemption fees amounting to US$3 million and US$3 million of related unamortized costs have been expensed in December 2016 under interest expenses.

(3) USD 6% Senior Notes

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

(4) USD 6.625% Senior Notes

On 16 October 2013, Millicom issued a US$800 million bond. The funds were used to finance the Colombian Merger (see note A.1.2.), and released from the escrow account prior to completion of the merger on 14 August 2014 (effective interest rate of 7.17%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/ EBITDA.

As part of the offer for early redemption described in (2) above, the Company confirmed that it had accepted for purchase US$142 million of principal of its 6.625% Senior Notes due 2021. The early redemption fees amounting to US$8 million and US$2 million of related unamortized costs have been expensed in December 2016 under interest expenses.

C. Capital structure and financing (continued)

(5) SEK Senior Unsecured Notes

On 21 April 2016, Millicom also completed the placing of a new SEK 2 billion (approximately US$250 million) 3-year floating rate bond in the Swedish market. The new bond has a floating rate coupon of three months STIBOR +3.3% and will mature on 17 April 2019, with a first call option on 17 April 2018. The bond was issued at 100% of the principal. US$2.5 million of withheld and upfront costs are being amortized over the three year life of the bond. The covenant is set at 3.0x Net Debt/EBITDA.

(6) USD 6.75% Senior Notes

On 7 December 2012, Telefónica Cellular del Paraguay S.A., Millicom's fully owned subsidiary in Paraguay issued US$300 million of notes at 100% of the aggregate principal amount. Distribution and other transaction fees of US$7 million reduced the total proceeds from issuance to US$293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on 13 June and 13 December. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of Telefónica Celular del Paraguay S.A. and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telefónica Celular del Paraguay S.A. The 6.75% Senior Notes are unguaranteed.

(7) USD 6.875% Senior Notes

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comcel for the purposes of the transaction, issued a bond to refinance existing local and MIC S.A. corporate debt. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. The bond is guaranteed by Comcel and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comcel entered into an US$800 million senior unsecured loan with a bank. The proceeds of the bond were used by Intertrust SPV to purchase a 100% participation interest in the loan pursuant to a credit and guarantee.

The loan agreements between Intertrust, the bank and Comcel remove any risk to the bank connected to the loans, and as such the Group has offset its asset against its liability towards the bank from the date of the agreement. Following the deconsolidation of Guatemala as of 31 December 2015, the asset and liability have both been deconsolidated at that date.

(8) BOB Notes

In May 2012, Telecel Bolivia issued Boliviano (BOB) 1.36 billion of notes repayable in installments until 2 April 2020. Distribution and other transaction fees of BOB 5 million reduced the total proceeds from issuance to BOB 1.32 billion (US$191 million). The bond has a 4.75% per annum coupon with interest payable semi-annually in arrears in May and November each year. The effective interest rate is 4.79%.

In November 2015, Telecel Bolivia issued BOB696 million (approximately US$100 million) of notes in two series, A for BOB104.4 million (approximately US$15 million), with a fixed annual interest rate of 4.05%, maturing in August 2020 and serie B for BOB591.6 million (approximately US$85 million) with a fixed annual interest rate of 4.85%, maturing in August 2023. The bond has coupon with interest payable semi-annually in arrears in March and September during the first two years, thereafter each February and August. The effective interest rate is 4.84%. In the placement, the final interest rate was reduced as Telecel Bolivia took advantage of strong demand for the bonds resulting in a reduction of the average interest rate to 4.55%. Telecel Bolivia received BOB4.59 million in excess of the BOB696 million issued (upfront premium).

C. Capital structure and financing (continued)

On 11 August 2016, our operation in Bolivia issued a new bond for a total amount of BOB522 million consisting of two tranches (approximately US$50 million and US$25 million, respectively). Tranche A and B bear fixed interest at 3.95% and 4.30%, and will mature in June 2024 and June 2029, respectively.

(9) UNE Bonds

In March 2010, UNE issued a COP 300 billion (approximately US$126 million) five and ten-year bond consisting of two tranches. Interest rates are either fixed or variable depending on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in March 2015 and Tranche B will mature in March 2020.

In May 2011, UNE issued a COP 300 billion (approximately US$126 million) five and 12-year bond consisting of two equal tranches. Interest rates are variable and depend on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in October 2016 and Tranche B will mature in October 2023.

In May 2016, UNE issued a COP 540 billion bond (approximately US$176 million) consisting of three tranches (approximately US$52 million, US$83 million and US$41 million respectively). Interest rates are either fixed or variable depending on the tranche. Tranche A bears fixed interest at 9.35%, while Tranche B and C bear variable interest, based on CPI, (respective margins of CPI+4.15% and CPI+4.89%), in Colombian peso.

UNE applied the proceeds to finance its investment plan and repay one bond (COP150 billion tranche). Tranches A, B and C will mature in May 2024, May 2026 and May 2036, respectively.

USD 8% Senior Notes

On 23 September 2010, Telemóvil Finance Co. Ltd., issued US$450 million aggregate principal amount 8% Senior Notes due on 1 October 2017. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and were payable semi-annually in arrears on 1 April and 1 October.

On 18 March 2015 Millicom tendered an offer to early redeem the remaining US$311 million of the US$450 million bond issued by Telemovil Finance Co. Ltd in 2010 for US$323 million including an early redemption premium of US$12 million over the face value of the bonds. The repurchase was completed on 20 April 2015. The early redemption premium of US$12 million premium and US$4 million of related unamortized costs were expensed in 2015.

C. Capital structure and financing (continued)

C.3.2. Bank financing

Bank financing (US$ millions)	Country	Maturity	Interest rate %	2016	2015
Fixed rate loans					
Long-term loans	Paraguay	2020/2023	9	**103**	92
Variable rate loans					
USD Long-term loans	Costa Rica	2021	4 variable	**92**	104
USD Long-term loans	Chad	2019	4 variable	**7**	11
USD Long-term loans	Rwanda	2019	2.9 variable	**69**	119
USD Long-term loans	Tanzania (Zantel)	2020	4.1 variable	**99**	100
BOB Long-term loans	Bolivia	2019	6 variable	**1**	1
USD Short-term loans	Ghana	2018	3.5 variable	**40**	40
COP Long-term loans	Colombia (UNE)	2023/2025	10.4 variable(i)	**400**	381
USD Senior Unsecured Term Loan Facility	El Salvador	2021	LIBOR + 3.0	**50**	–
USD Credit Facility	El Salvador	2021	LIBOR + 2.25	**33**	–
Other Long-term loans	Various		Various	**46**	118
Total Bank financing				**940**	966

(i) IBR – Colombia Interbank Rate.

MIC S.A. revolving credit facility

In June 2014, MIC S.A. entered into a $500 million revolving credit facility with a consortium of banks (the "2014 RCF") of which $200 million (Facility A) is for a 2-year term and $300 million (Facility B) is for a 3-year term. In May 2015 both facilities were extended for one year. As of 31 December 2016, the facility was committed and fully undrawn.

In the fourth quarter of 2016, Millicom initiated the renegotiation of its Revolving Credit Facility which was partially maturing in June 2017. By year end 2016, having secured over $500 million of commitments from relationship banks through a refinancing process, the Group accelerated the amortization of the upfront costs incurred in relation with the 2014 RCF and totalling then $2 million.

On 30 January 2017, the Company announced the closing of a new $ 600 million, 5 years Revolving Credit Facility and notified the lenders in the 2014 RCF of the formal cancellation of the commitments outstanding under the 2014 RCF (none of which were drawn at such date).

Subject to the terms of the revolving credit facility, the maturity date of all or a portion of the amounts outstanding under the 2017 facility will be due in full in January 2022. Amounts drawn under the revolving credit facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the revolving credit facility agreement. Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%, provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the last twelve month (as measured on a quarterly basis) is within a specified range.

C. Capital structure and financing (continued)

MIC S.A. term loan facility

In July 2016, MIC S.A. entered into a US$50 million term loan facility agreement, for which half will be repaid in 2018 and half in 2019. The facility bears variable interest rate at six-month LIBOR + 2.25% per annum.

El Salvador

On 15 April 2016, Telemovil El Salvador, S.A. de C.V. entered into a Senior Unsecured Term Loan Facility of US$50 million maturing in April 2021 and bearing variable interest at LIBOR + 3.0% per annum. This Facility is guaranteed by the Company.

On 6 June 2016, Telemovil El Salvador, S.A. de C.V. entered into a US$30 million Credit Facility for general corporate purposes maturing in June 2021 and bearing variable interest rate at LIBOR + 2.25% per annum. The Facility is repayable over different yearly installments until maturity and is guaranteed by the Company.

Right of set-off and derecognition

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Rights to receive cash flows from the asset have expired; or
- Rights to receive cash flows from the asset or obligations to pay the received cash flows in full without material delay have been transferred to a third party under a "pass-through" arrangement; and the Group has either transferred substantially all the risks and rewards of the asset or the control of the asset.

When rights to receive cash flows from an asset have been transferred or a pass-through arrangement concluded, an evaluation is made if and to what extent the risks and rewards of ownership have been retained. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay (see USD 6.875% Senior Notes in note C.3.1.).

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

C. Capital structure and financing (continued)

In addition to the bank financing arrangements described above, as of 31 December 2016, a Millicom subsidiary has an agreement with a bank whereby the bank provided loans amounting to EUR134 million (2015: EUR134 million) to the Millicom subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank and entered into total return swaps. The total return swaps remove any risk of the banks connected to the loans, and as such Millicom has derecognized both its deposit asset and the loan liabilities from the date of the total return swap (see D.1.2.).

C.3.3. Finance leases

Millicom's finance leases mainly consist of long-term lease of tower space from tower companies or competitors on which Millicom locates its network equipment.

Finance lease liabilities

Leases which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease. The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments.

Lease payments are allocated between finance charges (interest) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded as interest expenses in the income statement.

Finance lease liabilities (US$ millions)	Country	Maturity	2016	2015
Lease of tower space	Tanzania	2023	78	90
Lease of tower space	Colombia Movil	2023	**77**	66
Lease of tower space	DRC	2017/2023	–	40
Lease of tower space	Ghana	2023/2025	**14**	21
Lease of poles	Colombia (UNE)	2029	**83**	67
Other finance lease liabilities	various	various	**43**	52
Total finance lease liabilities			**295**	336

C.3.4. Guarantees and pledged assets

Guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized, less cumulative amortization.

C. Capital structure and financing (continued)

Liabilities to which guarantees are related are recorded in the consolidated statement of financial position under the caption "Debt and financing" and liabilities covered by supplier guarantees are recorded under the caption "Trade payables" or "Debt and financing", depending on the underlying terms and conditions.

Maturity of guarantees (US$ millions) Term	At 31 December 2016		At 31 December 2015	
	Outstanding exposure(i)	Maximum exposure(ii)	Outstanding exposure(i)	Maximum exposure(ii)
0 – 1 year	**38**	**38**	100	100
1 – 3 years	**348**	**348**	143	143
3 – 5 years	**250**	**250**	393	393
More than 5 years	**4**	**4**	7	7
Total guarantees	**640**	**640**	643	643

(i) The outstanding exposure represents the carrying amount of the related liability at 31 December.

(ii) The maximum exposure represents the total amount of the Guarantee at 31 December.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit, or guarantees issued by the Company at 31 December 2016 was US$643 million (2015: US$646 million), out of this, assets pledged by the Group over this debt and financing at the same date amounted to US$3 million (2015: US$3 million). The remainder represented primarily guarantees issued by Millicom S.A. to guarantee financings raised by other Group operating entities.

C.3.5. Covenants

Millicom's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2016 there were no breaches in financial covenants.

C.4. Cash and deposits

C.4.1. Cash and cash equivalents

(US$ millions)	2016	2015
Cash and cash equivalents in USD	**411**	467
Cash and cash equivalents in other currencies	**235**	302
Total cash and cash equivalents	**646**	769

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

C. Capital structure and financing (continued)

C.4.2. Restricted cash

(US$ millions)	2016	2015
Mobile Financial Services	**136**	134
Others	**9**	8
Restricted cash	**145**	142

Cash held with banks related to Mobile Financial Services which is restricted in use due to local regulations is denoted as restricted cash.

C.4.3. Pledged deposits

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

At 31 December 2016, there were no non-current pledged deposits (2015: US$nil).

At 31 December 2016, current pledged deposits amounted to US$3 million (2015: US$3 million).

C.5. Net debt

Net debt (US$ millions)	2016	2015
Total debt and financing	**3,901**	4,010
Less:		
Cash and cash equivalents	**(646)**	(769)
Restricted cash	**(145)**	(142)
Pledged deposits	**(3)**	(3)
Time deposits related to bank borrowings	**(2)**	(2)
Net debt at the end of the year	**3,105**	3,094
Add (less) derivatives related to debt (SEK currency swap)	**84**	65
Net debt including derivatives related to debt	**3,189**	3,159

C.6. Financial instruments

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial instruments that contain obligations to purchase own equity instruments

Contracts that contain obligations for the Company to purchase its own equity instruments for cash or other financial assets are initially recorded as financial liabilities, based on the present value of the redemption amounts with a corresponding reserve in equity. Subsequently, the

C. Capital structure and financing (continued)

carrying value of the liability is remeasured at the present value of the redemption amount with changes in carrying value recorded in other non-operating (expenses) income, net. If the contracts expire without delivery, the carrying amounts of the financial liabilities are reclassified to equity.

The put options that Millicom granted to its local shareholders in Honduras and Guatemala represented obligations to purchase the shares held by the local partners (see note C.6.3.).

Financial instruments that contain call options over non-controlling interests

Contracts over non-controlling interests that require gross cash settlement are also classified as equity instruments. Such call options are initially recognized at fair value and not subsequently remeasured. If a call option is exercised, this initial fair value is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, the fair value of the call option remains within equity.

Call option contracts over non-controlling interests that require net cash settlement or provide a choice of settlement are classified as financial assets. Contracts over non-controlling interests that require physical settlement of a variable number of own shares for a variable price are classified as financial assets and changes in the fair value are reported in the income statement. If such a call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, its carrying amount is expensed in the income statement.

The call options that Millicom obtained from its local shareholders in Honduras and Guatemala provided Millicom with control over the operations in those countries until 31 December 2015 and were classified as financial assets. Changes in the fair value of the call options were recorded in other non-operating (expenses) income, net.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value at each subsequent closing date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

For transactions designated and qualifying for hedge accounting, at the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. This is done in reference to the Group Financial Risk Management Policy as last updated and approved by the Audit Committee of October 2016. The Group also documents its assessment, both at hedge inception and on an ongoing basis (quarterly), of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging instrument is classified as a non-current asset or liability when the period to maturity of the hedged item is more than 12 months and as a current asset or liability

C. Capital structure and financing (continued)

when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

The change in fair value of hedging instruments that are designed and qualify as fair value hedges is recognized in the income statement as finance costs or income. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement as finance costs or income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Gains or loss relating to any ineffective portion is recognized immediately in the income statement within "Other non-operating (expenses) income, net". Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recycled to the income statement within "Other non-operating (expenses) income, net".

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other non-operating (expenses) income, net".

C.6.1. Fair Value Measurement Hierarchy

Millicom uses 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).

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade ratings. Interest rate swaps, foreign exchange forward contracts are valued using valuation techniques, which employ the use of markets observable data. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward curves.

Derivative financial instruments are measured with reference to Level 2, except for the call option in Honduras and in Guatemala (see note C.6.3.), which were measured with reference to Level 3. The fair value of the call option was determined by using an option pricing model (Monte Carlo simulation using the Longstaff Schwartz algorithm). The Honduras and Guatemala put option liabilities were carried at the present value of the redemption amount and were therefore excluded from the fair value hierarchy. No other financial instruments are measured at fair value.

C.6.2. Fair value of financial instruments

The fair value of Millicom's financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or

C. Capital structure and financing (continued)

liquidation sale. 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. The fair values of all debt and financing have been estimated by the Group, based on discounted future cash flows at market interest rates.

Fair values of financial instruments at 31 December (US$ millions)(ii)	Note	Carrying value 2016	Carrying value 2015	Fair value(i) 2016	Fair value(i) 2015
Financial Assets					
Pledged deposits	C.4.3.	**–**	–	**–**	–
Derivative financial instruments		**32**	26	**32**	26
Other non-current assets		**72**	75	**72**	75
Trade receivables, net		**387**	398	**387**	398
Amounts due from non-controlling interests, associates and joint venture partners		**17**	16	**17**	16
Prepayments and accrued income		**171**	193	**171**	193
Supplier advances for capital expenditures		**23**	39	**23**	39
Other current assets		**110**	109	**110**	109
Restricted cash		**145**	142	**145**	142
Cash and cash equivalents		**646**	769	**646**	769
Total financial assets		**1,603**	1,765	**1,603**	1,765
Current		**1,499**	1,665	**1,499**	1,665
Non-current		**104**	101	**104**	101
Financial Liabilities					
Debt and financing(ii)	C.3.	**3,901**	4,010	**4,234**	3,872
Trade payables		**297**	334	**297**	334
Payables and accruals for capital expenditure		**326**	285	**326**	285
Derivative financial instruments		**84**	65	**84**	65
Amounts due to non-controlling interests, associates and joint venture partners		**386**	644	**386**	644
Accrued interest and other expenses		**376**	425	**376**	425
Other liabilities		**400**	352	**400**	352
Total financial liabilities		**5,770**	6,115	**6,103**	5,977
Current		**1,531**	2,125	**1,531**	2,125
Non-current		**4,239**	3,990	**4,572**	3,852

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2, except for call option asset which was measured during the year 2015 with reference to Level 3.

(ii) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

C.6.3. Call and put options

Honduras Call Option

For Celtel, the call option price was a fixed multiple of the EBITDA of Celtel. On 31 December 2015, Celtel's call option to acquire the remaining 33% of the Honduras business has expired unexercised and Celtel has been deconsolidated as a result. The fair value of the call option was immaterial. For further details, see note A.2.2.

C. Capital structure and financing (continued)

Honduras Put Option

For Celtel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Celtel. The multiple is based on a change of control transaction multiple of Millicom. Management estimated the change of control transaction multiple of Millicom from a trading multiple of Millicom adding a control premium (based upon comparable transactions from the industry).

During the year 2015, Millicom recorded an income of US$117 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability. At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$456 million on 31 December 2015.

Guatemala call option

For Comcel, the call option price was a fixed multiple of the EBITDA of Comcel, with a gold price index in the event that the gold price increased by more than 40%. Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired on 31 December 2015. Millicom's call option has therefore been derecognized at 31 December 2015. As a result, a total loss of US$71 million was recorded in 2015 under "other non-operating (expenses) income, net". For further details, see note A.2.2.

Guatemala put option

For Comcel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Comcel. The multiple was based on a change of control transaction multiple of Millicom. Management estimate the change of control transaction multiple of Millicom from a trading multiple of Millicom and add a control premium (based upon comparable transactions).

During the year 2015, Millicom recorded an income of US$8 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability.

At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$1,679 million on 31 December 2015.

D. Financial risk management

Exposure to interest rate, foreign currency, non-repatriation, liquidity, capital management and credit risks arise in the normal course of Millicom's business. Each year Group Treasury revisits and presents to the Audit committee updated Treasury and Financial Risks Management policies. The Group analyzes each of these financial risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its Financial Risk Management policy. These policies were last reviewed in September and October 2016. As part of the annual review of the above mentioned risks, the Group agrees to a strategy over the use of derivatives and natural hedging instruments ranging

D. Financial risk management (continued)

from raising debt in local currency (where the Company targets to reach 40% of debt in local currency over the medium term) to maintain a 70/30% mix between fix and floating rate debt or agreeing to cover up to six months forward of operating costs and capex denominated in non-functional currencies through a rolling and layering strategy. Millicom's risk management strategies may include the use of derivatives to the extent a market would exist in the jurisdictions where the Group operates. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Accounting policies for derivatives is further detailed in note C.6.

On 31 December 2016, fair value of derivatives held by the Group can be summarized as follows:.

Derivatives (US$ millions)	2016	2015
Cash flow hedge derivatives	**(84)**	(65)
Derivatives held for trading (on swaps on Euro denominated debt)	**32**	26
Net derivative asset (liability)	**(52)**	(39)

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed (up to 70%) and variable (up to 30%) rates. The Group actively monitors borrowings against this target. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2016, approximately 70% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates with interest rate swaps (2015: 68%).

D.1.1. Fixed and floating rate debt

Financing at 31 December 2016 (US$ millions)	Amounts due within:						
	1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	>5 years	Total
Fixed rate financing	**41**	**85**	**314**	**435**	**720**	**1,141**	**2,736**
Weighted average nominal interest rate	**7.52%**	**7.54%**	**5.41%**	**5.62%**	**7.11%**	**8.51%**	**7.28%**
Floating rate financing	**39**	**168**	**204**	**213**	**130**	**411**	**1,165**
Weighted average nominal interest rate	**4.20%**	**9.46%**	**3.63%**	**2.89%**	**1.21%**	**3.86%**	**3.16%**
Total	**80**	**252**	**518**	**649**	**850**	**1,552**	**3,901**
Weighted average nominal interest rate	**5.90%**	**8.81%**	**4.71%**	**4.72%**	**6.20%**	**7.28%**	**6.05%**

D. Financial risk management (continued)

Financing at 31 December 2015 (US$ millions)	Amounts due within:						
	1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	>5 years	Total
Fixed rate financing	48	75	65	92	581	1,876	2,737
Weighted average nominal interest rate	9.17%	8.36%	9.56%	8.78%	5.44%	7.58%	7.26%
Floating rate financing	173	245	99	170	229	357	1,273
Weighted average nominal interest rate	4.97%	3.33%	4.16%	3.95%	5.66%	12.06%	5.08%
Total	221	320	164	262	810	2,233	4,010
Weighted average nominal interest rate	5.87%	4.51%	6.30%	5.64%	5.50%	7.93%	7.01%

A 100 basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2016 would increase or reduce profit before tax from continuing operations for the year by approximately US$12 million (2015: US$13 million).

D.1.2. Interest rate swap contracts

From time to time, Millicom enters into currency and interest rate swap contracts to manage its exposure to fluctuations in interest rates and currency fluctuations in accordance with its risk management policies. Details of these arrangements are provided below.

Interest rate and currency swaps on SEK denominated debt

As described in note C.3.1., the SEK Bonds have been fully redeemed during 2016. As a consequence, the Group has modified and extended the related interest rate and currency swaps until at least April 2018 and attached them to the new SEK Bond. The swaps are accounted for as a cash flow hedge as the timing and amounts of the cash flows under the swap agreements match the cash flows under the new SEK bond. The hedging relationship is highly effective and related fluctuations are recorded through other comprehensive income. At 31 December 2016, the fair values of the swaps amount to a liability of US$84 million (31 December 2015: a liability of US$65 million). These instruments are measured with reference to Level 2.

Interest rate and currency swaps on Euro denominated debt

In June 2013, Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven-year Euro (EUR) 134 million principal and related interest financing of its operation in Senegal. At 31 December 2016, the fair value of the swap amounts to an asset of US$32 million (2015: an asset of US$26 million). This instrument is measured with reference to Level 2.

In July 2013, Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven-year EUR41.5 million principal and related interest financing of its operation in Chad. In March 2015, the financing facility was repaid and the swap contracts terminated. A gain on the swap including termination of US$4 million was recorded in other non-operating income (expenses), net.

These financings are connected to the downstreaming of a portion of Millicom's 4.75% bond (see note C.3.1.). These hedges do not qualify for hedge accounting. Fluctuations in the value of those instruments are recorded through profit and loss. US$6 million of income was recorded from the

D. Financial risk management (continued)

fluctuations in fair value in 2016 (2015: US$32 million) in "other non-operating income (expenses), net".

D.2. Foreign currency risks

The Group is exposed to foreign exchange risk arising from various currency exposures in the countries in which it operates. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar reporting currency. In some cases, Millicom may also borrow in US dollars where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

D.2.1. Debt denominated in US$ and other currencies

Debt denomination at 31 December (US$ millions)	2016	2015
Debt denominated in US$	**2,266**	2,564
Debt denominated in currencies of the following countries:		
Colombia	**841**	660
Chad	**69**	94
Tanzania	**93**	94
Bolivia	**288**	236
Ghana	**13**	21
Paraguay	**103**	92
Luxembourg (SEK denominated)	**217**	234
Other	**11**	15
Total debt denominated in other currencies	**1,635**	1,446
Total debt	**3,901**	4,010

At 31 December 2016, if the US dollar had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by US$51 million and US$(63) million respectively (2015: US$29 million and US$35 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the US$-denominated debts in our operations with functional currencies other than the US dollar.

D.2.2. Foreign currency swaps

See note D.1.2. Interest rate swaps.

D.3. Non-repatriation risk

Most of Millicom's operating subsidiaries generate most of the revenue of the Group and in the currency of the countries in which they operate. Millicom is therefore dependent on the ability of its subsidiaries and joint venture operations to transfer funds to the Company.

D. Financial risk management (continued)

Although foreign exchange controls exist in some of the countries in which Millicom Group companies operate, none of these controls currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where the Group operates, or foreign exchange controls may be introduced in countries where the Group operates that do not currently impose such restrictions. If such events were to occur, the Company's ability to receive funds from the operations could be subsequently restricted, which would impact the Company's ability to make payments on its interest and loans and, or pay dividends to its shareholders. As a policy, all operations which do not face restrictions to deposit funds offshore and in hard currencies should do so for the surplus cash generated on a weekly basis. The Company and its subsidiaries make use of notional and physical cash pooling arrangements in hard currencies to the extent permitted.

In addition, in some countries it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this may be time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group. This is a relatively rare case for the countries in which the Group operates.

Lastly, repatriation most often gives raise to taxation, which is evidenced in the amount of taxes paid by the Group relative to the Corporate Income Tax reported in its statement of income.

D.4. Credit and counterparty risk

Financial instruments that subject the Group to credit risk include cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners and associates, supplier advances and other current assets and derivatives. Counterparties to agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set, based on each bank's credit rating.

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Accounts receivable also comprise balances due from other telecom operators. 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. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

As the Group has a large number of internationally dispersed customers, there is generally no significant concentration of credit risk with respect to trade receivables, except for certain B2B customers (mainly governments). See Note F.1.

D.5. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has significant indebtedness but also has significant cash balances. Millicom evaluates its ability to meet its obligations on an ongoing basis using a

D. Financial risk management (continued)

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 Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, vendor financing, Export Credit Agencies and Development Finance Institutions ("DFI") loans, and finance leases. Millicom believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC and FMO), which have been established specifically to finance development in the Group's markets. Millicom has a diversified financing portfolio with commercial banks representing about 24% of its gross financing (2015: 24%), bonds 66% (2015: 64%), Development Finance Institutions 2% (2015: 3%), finance leases 8% (2015: 8%), and no vendor financing (2015 1%).

Maturity profile of net financial liabilities at 31 December 2016 (US$ millions)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Total debt and financing	**(80)**	**(2,269)**	**(1,552)**	**(3,901)**
Cash and cash equivalents	**646**	**–**	**–**	**646**
Restricted cash	**145**	**–**	**–**	**145**
Pledged deposits (related to bank borrowings)	**3**	**–**	**–**	**3**
Time deposits	**2**	**–**	**–**	**2**
Derivative financial instruments (SEK currency swap)	**–**	**(84)**	**–**	**(84)**
Net cash (debt) including derivatives related to debt	**716**	**(2,353)**	**(1,552)**	**(3,189)**
Future interest commitments	**(283)**	**(916)**	**(71)**	**(1,270)**
Trade payables (excluding accruals)	**(443)**	**–**	**–**	**(443)**
Other financial liabilities (including accruals)	**(1,174)**	**–**	**–**	**(1,174)**
Trade receivables	**387**	**–**	**–**	**387**
Other financial assets	**131**	**71**	**–**	**202**
Net financial liabilities	**(666)**	**(3,199)**	**(1,622)**	**(5,487)**

Maturity profile of net financial liabilities at 31 December 2015 (US$ millions)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Total debt and financing	(221)	(1,555)	(2,233)	(4,010)
Cash and cash equivalents	769	–	–	769
Restricted cash	142	–	–	142
Pledged deposits (related to bank borrowings)	3	–	–	3
Time deposits	2	–	–	2
Derivative financial instruments (SEK currency swap)	–	(65)	–	(65)
Net cash (debt) including derivatives related to debt	695	(1,620)	(2,233)	(3,159)
Future interest commitments	(257)	(881)	(83)	(1,221)
Trade payables (excluding accruals)	(420)	–	–	(420)
Other financial liabilities (including accruals)	(1,693)	–	–	(1,693)
Trade receivables	398	–	–	398
Other financial assets	130	75	–	205
Net financial liabilities	(1,147)	(2,426)	(2,316)	(5,889)

D. Financial risk management (continued)

D.6. 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 economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. At 31 December 2016, Millicom is rated at one notch below investment grade by the independent rating agencies Moody's (Ba1 negative) and Fitch (BB+ stable). The Group primarily monitors capital using net debt to EBITDA.

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

Net debt to EBITDA (US$ millions)	Note	2016	2015
Net debt(i)	C.5.	**4,181**	4,295
EBITDA(i)	B.3.	**2,172**	2,188
Net debt to EBITDA		**1.93**	1.96

Gearing ratio (US$ millions)	Note	2016	2015
Net debt(i)	C.5.	**4,181**	4,295
Equity	C.1.	**3,167**	3,477
Net debt and equity		**7,348**	7,772
Gearing ratio		**57%**	55%

(i) Including net debt and EBITDA of Guatemala and Honduras operations for US$1,076 million (2015: US$1,201 million) and US$858 million (2015: US$934 million), respectively.

E. Long-term assets

E.1. Intangible sssets

Millicom's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate and use spectrum.

E.1.1. Accounting for intangible assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

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 expected useful lives or the expected beneficial use of the assets are accounted for by

E. Long-term assets (continued)

changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, at the date of the acquisition. If the fair value or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within 12 months of the acquisition date any adjustments to the provisional values are recognized. This is done when the fair values 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". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are included only if there is evidence to support renewal by the Group without significant cost.

Trademarks and customer lists

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 indefinite or finite useful lives. Indefinite useful life trademarks are

E. Long-term assets (continued)

tested for impairment annually. Finite useful life trademarks 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:

Estimated useful lives	Years
Trademarks	1 to 15
Customer lists	4 to 9

Programming and content rights

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

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

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

Indefeasible rights of use

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

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

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

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

- The purchaser has an exclusive right for a specified period and has the ability to resell (or sub-let) the capacity; and

E. Long-term assets (continued)

- The capacity is physically limited and defined; and
- The purchaser bears all costs related to the capacity (directly or not) including costs of operation, administration and maintenance; and
- The purchaser bears the risk of obsolescence during the contract term.

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

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

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

Otherwise the IRU will be considered as an operating lease.

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

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

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

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

E.1.2. Impairment of non-financial assets

At each reporting date Millicom assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset's recoverable amount is made. The recoverable amount is determined 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

E. Long-term assets (continued)

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 consolidated 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.

E.1.3. Movements in intangible assets

Movements in intangible assets in 2016 (US$ millions)	Goodwill	Licenses	Customer lists	IRUs	Broadcast and other rights	Other(i)	Total
Opening balance, net	**621**	**387**	**57**	**119**	**32**	**213**	**1,429**
Additions	**–**	**89**	**–**	**4**	**–**	**98**	**192**
Amortization charge	**–**	**(64)**	**(26)**	**(13)**	**(3)**	**(80)**	**(186)**
Impairment	**–**	**–**	**–**	**(2)**	**–**	**(1)**	**(3)**
Disposals, net	**–**	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Transfers	**–**	**(6)**	**–**	**1**	**(29)**	**(4)**	**(38)**
Transfers to/from assets held for sale (see note E.3.)	**(11)**	**(23)**	**–**	**–**	**–**	**(7)**	**(42)**
Exchange rate movements	**5**	**(3)**	**1**	**4**	**–**	**5**	**13**
Closing balance, net At 31 December 2016	**615**	**380**	**32**	**114**	**–**	**219**	**1,359**
Cost or valuation	**615**	**702**	**210**	**177**	**11**	**579**	**2,293**
Accumulated amortization and impairment	**–**	**(321)**	**(178)**	**(64)**	**(11)**	**(360)**	**(934)**
Net	**615**	**380**	**32**	**114**	**–**	**219**	**1,359**

E. Long-term assets (continued)

Movements in intangible assets in 2015 (US$ millions)	Goodwill	Licenses	Customer lists	IRUs	Broadcast and other rights	Other(i)	Total
Opening balance, net	3,076	774	486	167	30	982	5,515
Change in the Group (see note A.1.2.)(ii)	17	40	22	9	–	12	100
Additions	–	47	–	31	–	116	194
Effect of deconsolidation(iii)	(2,358)	(345)	(343)	(13)	–	(754)	(3,813)
Amortization charge	–	(53)	(99)	(17)	(5)	(72)	(246)
Impairment	–	(18)	–	–	–	(1)	(19)
Disposals, net	–	–	–	(2)	–	–	(2)
Transfers	–	(3)	2	(6)	7	–	–
Exchange rate movement	(114)	(55)	(11)	(50)	–	(70)	(300)
Closing balance, net	621	387	57	119	32	213	1,429
At 31 December 2015							
Cost or valuation	621	639	210	182	51	495	2,198
Accumulated amortization and impairment	–	(252)	(153)	(63)	(19)	(282)	(769)
Net	621	387	57	119	32	213	1,429

(i) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note E.1.1.).

(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).

(iii) See note A.2.2.

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions (US$ millions)	2016	2015
Additions	**192**	194
Change in accruals and payables for intangibles	**(49)**	(8)
Cash used from continuing operations for additions	**143**	186

E.1.5. Goodwill

Allocation of Goodwill to CGUs, net of exchange rate movements and after impairment (US$ millions)	Note	2016	2015
El Salvador		**194**	194
Costa Rica		**126**	129
Paraguay		**53**	53
Colombia		**198**	189
DRC		**–**	11
Tanzania (Zantel)		**11**	11
Other		**33**	34
Total		**615**	621

E. Long-term assets (continued)

E.1.6. Impairment testing of goodwill

Goodwill from CGUs is tested for impairment at least each year and more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill arising on business combinations is allocated to each of the Group's cash generating units (CGU's) 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 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 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 (value in use) and, if appropriate, the fair value less costs to sell of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized for the lower amount.

Impairment testing at 31 December 2016

Goodwill was tested for impairment by assessing the recoverable amount (first using a value in use model) against the carrying amount for CGU 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 covering a period of five years or more. This planning horizon reflects industry practice in the countries where the Group operates and stage of development or redevelopment of the business in those countries. Cash flows beyond this period are extrapolated using a perpetual growth rate of 2.0% – 2.5% (2015: 2.0% – 2.5%). When value in use model resulted in the carrying values of the CGUs being higher than their recoverable amount, management has determined the fair value less cost of disposal ("FVLCD") of the CGUs. Fair value less cost of disposal has been determined either by using recent offers received from third parties (Level 1) or by using discounted cash flow projections (still based on the five-year plans) and applying a multiple of EBITDA on the terminal year of the five-year plan to derive the terminal value for the CGU (ranging between 3.0x to 4.0x) (Level 3).

For the year ended 31 December 2016, and as a result of the annual impairment testing on goodwill, management concluded that none of the Group CGUs should be impaired, but the impairment test performed for the Group CGU in Senegal shows limited headroom. As a matter of fact, a decrease in the EBITDA multiple used by 1.0pt would make the carrying value of the Group CGU equal its recoverable amount (determined by using FVLCD).

For the year ended 31 December 2015, the Senegal cash generating unit (CGU), part of Africa segment, had been impaired. Hence, in accordance with IAS 36, an impairment loss of US$54 million had been allocated to reduce the carrying amount of the other assets of our operations in Senegal (the goodwill allocated to Senegal was already fully impaired in 2013) pro rata on the basis of the carrying amount of each asset to the extent the carrying amount of each asset was not below the highest of its fair value less costs to sell, its value in use and zero. Management had determined that the impairment loss be allocated to property, plant and equipment and intangible assets for US$36 million and US$18 million, respectively. The impairment had been classified within the caption "other operating expenses, net". At 31 December 2015, the carrying value of the CGU corresponded to its fair value less costs of disposal (Level 3).

E. Long-term assets (continued)

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing - except for Senegal (see above).

Discount rates used in determining recoverable amount (US$ millions)	Discount rate after tax (%)	
	2016	2015
Bolivia	**9.4**	10.8
Chad	**16.5**	17.3
Colombia	**8.6**	9.5
Costa Rica	**10.9**	11.1
DRC (See note E.3.)	**na**	17.6
El Salvador	**11.9**	11.4
Ghana	**17.7**	16.9
Guatemala (See note A.2.2.)	**na**	10.2
Honduras (See note A.2.2.)	**na**	11.0
Paraguay	**9.3**	10.1
Rwanda	**14.6**	13.1
Senegal	**14.0**	13.9
Tanzania	**14.3**	13.8

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to 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	Years
Buildings	40 years or lease period, if shorter
Networks (including civil works)	5 to 15 years or lease period, if shorter
Other	2 to 7

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

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

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

E. Long-term assets (continued)

to the Group and the cost of the item can be measured reliably. Ongoing routine 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.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

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 contribute to future economic benefits for the Group and the costs can be measured reliably.

E.2.2. Movements in tangible assets

Movements in tangible assets in 2016 (US$ millions)	Network equipment(iii)	Land and buildings	Construction in progress	Other(i)	Total
Opening balance, net	**2,476**	**149**	**431**	**142**	**3,198**
Additions	**45**	**–**	**632**	**5**	**683**
Impairments	**(2)**	**–**	**(2)**	**(4)**	**(7)**
Disposals, net	**(11)**	**–**	**(3)**	**–**	**(14)**
Depreciation charge	**(677)**	**(12)**	**–**	**(58)**	**(747)**
Asset retirement obligations	**15**	**2**	**–**	**–**	**17**
Transfers	**775**	**9**	**(814)**	**62**	**31**
Transfers from/(to) assets held for sale (see note E.3.)	**(123)**	**(5)**	**(2)**	**(9)**	**(139)**
Exchange rate movements	**27**	**3**	**9**	**(4)**	**36**
Closing balance, net	**2,525**	**147**	**250**	**135**	**3,057**
Cost or valuation	**6,138**	**185**	**250**	**474**	**7,047**
Accumulated amortization and impairment	**(3,613)**	**(38)**	**–**	**(339)**	**(3,990)**
Net at 31 December 2016	**2,525**	**147**	**250**	**135**	**3,057**

E. Long-term assets (continued)

Movements in tangible assets in 2015 (US$ millions)	Network equipment(iii)	Land and buildings	Construction in progress	Other(i)	Total
Opening balance, net	3,749	193	490	319	4,751
Change in the Group (see note A.1.2.)(ii)	22	6	4	–	32
Additions	103	4	962	34	1,103
Effect of deconsolidation(iv)	(850)	(18)	(122)	(40)	(1,030)
Impairments	(33)	–	(5)	(1)	(39)
Disposals, net	(9)	(2)	–	(4)	(15)
Depreciation charge	(952)	(15)	–	(108)	(1,075)
Asset retirement obligations	6	3	–	–	9
Transfers	916	12	(956)	28	–
Transfers from/(to) assets held for sale	9	–	–	–	9
Exchange rate movements	(485)	(34)	58	(86)	(547)
Closing balance, net	2,476	149	431	142	3,198
Cost or valuation	5,692	182	431	448	6,753
Accumulated amortization and impairment	(3,216)	(33)	–	(306)	(3,555)
Net at 31 December 2015	2,476	149	431	142	3,198

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

(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).

(iii) The net carrying amount of network equipment under finance leases at 31 December 2016 was US$245 million (2015: US$258 million).

(iv) See note A.2.2.

Borrowing costs capitalized for the years ended December 31, 2016 and 2015 were not significant.

E.2.3. Cash used for the purchase of tangible assets

Cash used for property, plant and equipment additions (US$ millions)	2016	2015
Additions	**683**	1,103
Change in advances to suppliers	**(16)**	8
Change in accruals and payables for property, plant and equipment	**51**	(62)
Vendor financing and finance leases	**1**	(30)
Cash used from continuing operations for additions	**719**	1,019

E.3. Assets held for sale

If Millicom decides to sell subsidiaries, investments in joint ventures or associates, or specific non-current assets in its businesses, these items qualify as assets held for sale if certain conditions are met.

E. Long-term assets (continued)

E.3.1. Classification of assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use. Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

E.3.2. Millicom's assets held for sale

(US$ millions)	2016	2015
Tower assets held for sale	**5**	–
4G Spectrum (UNE) held for sale	**–**	12
Liabilities directly associated with assets held for sale	**–**	–
Net assets held for sale	**5**	12

Oasis S.A.

On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. for a total cash consideration of US$160 million adjusted for working capital movements and including US$10 million of cash hold-back subject to the completion of the disposal of the Mobile Financial Services business (DRC Mobile Cash). The transaction was completed in respect of the mobile business (Oasis S.A.) on 20 April 2016 and includes certain indemnity and warranty clauses as well as other expenses directly linked with the disposal, which have been provided for as of 31 December 2016. See note A 4.1. The separate disposal of DRC Mobile Cash was completed in September 2016. As a result, US$10 million of the cash hold-back was received in October 2016.

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. The following assets and liabilities were held for sale in relation to Oasis S.A. as at the date of disposal:

Assets and liabilities reclassified as held for sale – Oasis S.A. (US$ millions)	20 April 2016
Intangible assets, net.	**58**
Property, plant and equipment, net	**133**
Other non-current assets	**11**
Current assets	**42**
Cash and cash equivalents	**33**
Total assets of disposal group held for sale	**277**
Non-current financial liabilities	**44**
Current liabilities	**84**
Total liabilities of disposal group held for sale	**128**
Net assets	**149**

Comparative figures of the income statement have been represented accordingly. Financial information relating to the discontinued operations for the year ended 31 December 2016 and 2015 is set out below.

E. Long-term assets (continued)

The sale of Oasis S.A. generated a cash inflow of US$147 million, net of US$33 million of cash disposed.

Results from discontinued operations (US$ millions)	31 December 2016	31 December 2015
Revenue	**40**	158
Cost of sales	**(15)**	(60)
Operating expenses	**(20)**	(108)
Depreciation and amortization	**(3)**	(40)
Other operating profit income expense, net	**–**	(2)
Operating profit (loss)	**2**	(53)
Interest income (expense), net	**(2)**	(17)
Profit (loss) before taxes	**1**	(70)
Credit (charge) for taxes, net	**6**	(13)
Results from discontinued operations	**6**	(83)
Gross gain on disposal of discontinued operations	**32**	–
Other expenses linked to the disposal of discontinued operations	**(19)**	–
Net gain (loss) on disposal of discontinued operations	**13**	–
Net profit (loss) from discontinued operations	**19**	(83)

Cash flows from discontinued operations (US$ millions)	31 December 2016	31 December 2015
Cash used in operating activities, net	**(3)**	(20)
Cash used in investing activities, net	**(1)**	(26)
Cash provided by financing activities, net	**–**	49
Net cash inflows/(outflows)	**(4)**	3

Mobile Cash DRC

The sales agreement also included the separate disposal of Mobile Cash DRC, which was completed late 2016. The cash inflow and the loss from the disposal of this operation was not material for the Group.

4G Spectrum (UNE)

During 2016, the 4G spectrum in Colombia has been reclassified from "Assets held for sale" to intangible assets as the value of the spectrum will not be recovered through sale, but through use. A depreciation catch-up has been recorded for US$11 million. In October 2016, the date on which UNE stopped rendering 4G services, the 4G spectrum was fully depreciated.

F. Other assets and liabilities

F.1. Trade receivables

Millicom's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as B2B customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

(US$ millions)	2016	2015
Gross trade receivables	**593**	599
Less: provisions for impairment of receivables	**(206)**	(201)
Trade receivables, net	**387**	398

F. Other assets and liabilities (continued)

Ageing of trade receivables (US$ millions)	Neither past due nor impaired	Past due (net of impairments)			
		< 30 days	30 – 90 days	>90 days	Total
2016:					
Telecom operators	**26**	**14**	**11**	**1**	**52**
Own customers	**121**	**48**	**77**	**6**	**252**
Others	**57**	**19**	**5**	**2**	**83**
Total	**204**	**81**	**93**	**9**	**387**
2015:					
Telecom operators	32	20	14	1	67
Own customers	153	54	48	–	255
Others	52	14	6	4	76
Total	237	88	68	5	398

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in the consolidated income statement within "Cost of sales".

Loans and receivables 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 those maturing more 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. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

F.2. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories (US$ millions)	2016	2015
Telephone and equipment	**32**	59
SIM cards	**7**	7
IRUs	**6**	–
Other	**17**	14
Inventory at 31 December 2016	**62**	80

F.3. 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.

From time to time, the Group enters into agreements to extend payment terms with various suppliers, and with factoring companies when such payments are discounted. The corresponding

F. Other assets and liabilities (continued)

amount pending payment as of 31 December 2016, is recognized in "Trade payables" for an amount of US$20 million.

F.4. Current and non-current provisions and other liabilities

Provisions are recognized when the 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

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

F.4.1. Current provisions and other liabilities

Current (US$ millions)	2016	2015
Deferred revenue	**112**	121
Customer deposits	**9**	8
Current legal provisions	**12**	20
Tax payables	**44**	60
Customer and MFS distributor cash balances	**139**	130
Witholding tax on payments to third parties	**17**	–
Other provisions	**10**	18
Other current liabilities	**134**	130
Total	**477**	487

F.4.2. Non-current provisions and other liabilities

Non-current (US$ millions)	2016	2015
Non-current legal provisions	**28**	24
Long-term portion of asset retirement obligations	**78**	66
Long-term portion of deferred income on tower sale and leasebacks	**18**	24
Long-term employment obligations	**76**	56
Other non-current liabilities	**85**	73
Total	**285**	243

G. Additional disclosure items

G.1 Fees to auditors

(US$ millions)	2016	2015
Audit fees	**4.3**	4.7
Audit related fees	**0.3**	0.3
Tax fees	**0.2**	0.3
Other fees	**1.8**	0.9
Total	**6.6**	6.2

G.2. Capital and operational commitments

Millicom has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital commitments

At 31 December 2016 the Company and its subsidiaries and joint ventures had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of US$179 million of which US$162 million are due within one year (December 31, 2015: US$216 million of which US$203 million are due within one year). Out of these commitments, respectively US$17 million and US$14 million related to Millicom's share in joint ventures. (December 31, 2015: US$33 million of which US$27 million are due within one year).

G.2.2 Lease commitments

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset. The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above. The portion of towers being leased back represents the dedicated part of each tower on which Millicom's equipment is located and was derived from the average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses.

Operating leases

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

G. Additional disclosure items (continued)

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2016 was US$135 million (2015: US$191 million – see note B.2.).

Annual operating lease commitments (US$ millions) from continuing operations	2016(i)	2015
Within one year	**131**	111
Between one and five years	**371**	310
After five years	**225**	214
Total	**727**	635

(i) Joint ventures operating lease commitments amount to US$210 million (2015: US$219 million) and are excluded from the table above.

Finance leases

Finance leases, which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Finance leases mainly comprise lease of tower space in Ghana, Tanzania and Colombia (see note C.3.3.), lease of poles in Colombia and tower sharing in other countries. Other financial leases mainly consist of lease agreements relating to vehicles and IRUs.

Annual minimum finance lease commitments (US$ millions)	2016(i)	2015
Within one year	**81**	82
Between one and five years	**330**	346
After five years	**353**	416
Total	**764**	844

(i) Joint ventures finance lease commitments amount to US$nil (2015: nil) and are excluded from the table above.

The corresponding finance lease liabilities at 31 December 2016 were US$295 million (2015: US$336 million). Interest expense on finance lease liabilities amounts to US$66 million for the year 2016 (2015: US$63 million).

G.3. Contingent liabilities

G.3.1. Litigation and legal risks

The Company and its operations are contingently liable with respect to lawsuits and other legal risks that arise in the normal course of business. As of 31 December 2016, the total amount of claims and litigation risks against Millicom and its operations was US$406 million, of which

G. Additional disclosure items (continued)

US$3 million related to its share in joint ventures (31 December 2015: US$492 million, of which none related to its share in joint ventures).

As at 31 December 2016, US$43 million, of which US$1 million related to its share in joint ventures (31 December 2015: US$42 million, of which none related to its share in joint ventures), has been provided for litigation and legal risks in the consolidated statement of financial position. While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

In June 2016, Millicom was served with claims by a third party seeking monetary damages in the amount of US$4.6 million and seeking to exert rights as a shareholder of Millicom Tanzania Ltd (Tigo Tanzania). In June 2015, Millicom identified that an incorrect filing related to Tigo Tanzania had been made in the commercial register, causing the register to incorrectly indicate that shares in the local subsidiary were owned by this third party. Millicom remains engaged in legal proceedings regarding this issue. Millicom believes that these claims are entirely without merit and, moreover, maintains that there is no valid basis whatsoever for any third party to claim any interest in Tigo Tanzania or be registered as one of its shareholders. Accordingly Millicom continues to fully consolidate Tigo Tanzania at 100%.

The following specific risks are excluded from the US$406 million above:

Colombia

A claim filed with the Civil Chamber of Bogota in Colombia against all mobile operators in Colombia in 2013, including our subsidiary in Colombia, by a group of approximately 20 individuals of approximately US$794 million. The claimants allege damages and losses suffered from third parties through illegal use of cellular phones in extortion attempts against the claimants.

The case has been inactive, with the exception of a mandatory settlement conference held among the parties under the court's supervision, which did not result in a settlement agreement. This claim is considered by management to be entirely spurious and without foundation or substance. As a result, no provision has been made for this claim.

Other

At 31 December 2016 Millicom has various other less significant claims which are not disclosed separately in these consolidated financial statements.

Potential improper payments on behalf of the Guatemala joint venture

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala. On 4 May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. Millicom continues to cooperate with law enforcement authorities in the United States. As at 31 December 2016, the matter is still under investigation and Management has not been able to assess the potential impact on these consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of 31 December 2016.

G. Additional disclosure items (continued)

G.3.2. Tax related risks and uncertain tax position

The Group operates in developing countries where the tax systems, regulations and enforcement processes have varying stages of development creating uncertainty regarding application of tax law and interpretation of tax treatments. The Group is also subject to regular tax audits in the countries where it operates. When there is uncertainty over whether the taxation authority will accept a specific tax treatment under the local tax law, that tax treatment is therefore uncertain. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and, in some cases, it is difficult to predict the ultimate outcome. Therefore, judgment is required to determine provisions for taxes.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Group assumes that a taxation authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information when making those examinations.

The Group has a process in place to identify its uncertain tax positions. Management then considers whether or not it is probable that a taxation authority will accept an uncertain tax treatment. On that basis, the identified risks are split into three categories (i) remote risks (risk of outflow of tax payments are 0 – 20%), (ii) possible risks (risk of outflow of tax payments are 21% to 49%) and probable risks (risk of outflow is more than 50%). The process is repeated every quarter by the Group.

If the Group concludes that it is probable or certain that the taxation authority will accept the tax treatment, the risks are categorized either as possible or remote, and it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. The risks considered as possible are not provisioned but disclosed as tax contingencies in the Group consolidated financial statements while remote risks are neither provisioned nor disclosed.

If the Group concludes that it is probable that the taxation authority will not accept the Group's interpretation of the uncertain tax treatment, the risks are categorized as probable, and it reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates by generally using the most likely amount method – the single most likely amount in a range of possible outcomes.

If an uncertain tax treatment affects both deferred tax and current tax, the Group makes consistent estimates and judgments for both. For example, an uncertain tax treatment may affect both taxable profits used to determine the current tax and tax bases used to determine deferred tax.

If facts and circumstances change, the Group reassesses the judgments and estimates regarding the uncertain tax position taken.

At 31 December 2016 potential tax risks estimated by the Group amount to US$311 million of which provisions of US$65 million have been recorded representing the probable amount of eventual claims and required payments related to those risks (2015: US$369 million of which provisions of US$86 million were recorded). Out of these potential claims and provisions, respectively US$96 million (2015: US$76 million) and US$9 million (2015: US$9 million) related to Millicom's share in joint ventures.

G. Additional disclosure items (continued)

G.4. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations (US$ millions)	Note	2016	2015
Investing activities			
Acquisition of property, plant and equipment	E.2.2.	**35**	(54)
Asset retirement obligations	E.2.3.	**(17)**	(9)
Financing activities			
Vendor financing and finance leases	G.2.2.	**–**	30
Share based compensation	B.4.1.	**14**	19

G.5. Related party balances and transactions

The Company conducts transactions with certain related parties on normal commercial terms and conditions. The Group's significant related parties are:

Kinnevik AB ("Kinnevik") and subsidiaries, Millicom's principal shareholder.

Tower companies in Ghana, DRC, Tanzania (until October 2015), and in Helios Towers Africa Ltd (since October 2015), in which Millicom holds a direct or indirect equity interest (see note A.3.2.).

EPM and subsidiaries, the non-controlling shareholder in our Colombian operations (see note A.1.2.).

Miffin Associates Corp and subsidiaries, our joint venture partner in Guatemala.

Kinnevik

Millicom's principal shareholder is Kinnevik. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At 31 December 2015, Kinnevik owned approximately 38% of Millicom (2015: 38%). During 2016 and 2015, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of Kinnevik or Kinnevik controlled entities.

During 2015 and 2014 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Helios Towers

Millicom acquired 40% shareholdings in Helios Towers Ghana, Helios Towers Tanzania and Helios Towers DRC as part of the compensation agreed for the sale and lease back of its towers in those countries. Millicom sold its tower assets and leased back a portion of space on the towers in each of these countries and contracted for related operation and management services. As described in note A.3.2., as a result of a reorganization, Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains a significant influence on HTA. The Group has future lease commitments in respect of the tower companies (see note G.2.2.).

G. Additional disclosure items (continued)

Miffin Associates Corp ("Miffin")

The Group purchases and sells products and services from Miffin Group. Transactions with Miffin represent recurring commercial operations such as purchase of handsets, and sale of airtime.

Expenses from transactions with related parties (US$ millions)	2016	2015
Purchases of goods and services from Kinnevik	**7**	3
Purchases of goods and services from Miffin	**167**	148
Purchases of goods and services from EPM	**22**	17
Lease of towers and related services from Helios(i)	**35**	36
Other expenses	**2**	2
Total	**233**	206

Income and gains from transactions with related parties (US$ millions)	2016	2015
Sale of goods and services to EPM	**18**	19
Sale of goods and services to Miffin	**261**	253
Other revenue	**10**	4
Total	**289**	276

(i) Until acquisition/disposal date.

As at 31 December the Company had the following balances with related parties:

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Liabilities		
Payables to Guatemala(i)	**245**	335
Payables to Honduras(ii)	**118**	225
Finance lease liabilities to tower companies(iii)	**85**	122
Payables to EPM	**3**	66
Other accounts payable	**20**	18
Total	**471**	766

(i) Shareholder loans

(ii) Amounts payable mainly consist in dividend advances. Dividend is expected to be declared in 2017.

(iii) Disclosed under "Debt and other financing" in the statement of financial position.

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Assets		
Receivables from EPM	**4**	5
Loan to Helios Towers Tanzania	**10**	7
Other accounts receivable	**3**	4
Total	**17**	16

H. IPO – Millicom's operations in Tanzania

In June 2016, an amendment to the Electronic and Postal Communications Act ("EPOCA") in the Finance Act 2016 requires all licensed telecom operators to sell 25% of the authorized share capital in a public offering on the Dar Es Salaam Stock Exchange by 31 December 2016. As of 31 December 2016, no licensed operator had completed a public offering, including Millicom's license holding subsidiaries, Millicom Tanzania, Zantel and Telesis. On 13 January 2017, Millicom Tanzania, Zantel and Telesis each received from the Tanzanian Communications Regulatory Authority ("TCRA") a notice of material breach of the license giving 30 days to comply. Millicom has signaled its intention for its subsidiaries to comply with the law and list its businesses but will not be in a position to complete public offerings by such time or in the near future. Accordingly, Millicom's businesses in Tanzania may face sanctions from the regulator or other government bodies, which could include financial penalties, or even suspension or cancellation of its license. Management is currently not able to assess the financial impact on its consolidated financial statements (although the Company deems the suspension or cancellation of the license is unlikely) and therefore no provision has been recorded as of 31 December 2016.

I. Subsequent events

Dividend

On 7 February 2017 Millicom's Board decided to propose to the Annual General Meeting of the Shareholders a dividend distribution of US$2.64 per share to be paid out of Millicom profits for the year ended 31 December 2016 subject to the Board's approval of the 2016 Consolidated Financial Statements of the Group.

TV Cable Parana

On 6 January 2017, after obtaining the necessary regulatory approvals, Tigo Paraguay completed the acquisition of TV Cable Parana for a total consideration of US$19 million.

Tigo Senegal and HTA

We have agreed to sell our business in Senegal to Wari Group, subject to regulatory approvals. The transaction represents an enterprise value for Tigo Senegal of US$129 million. We have also initiated a process to sell our 22% stake in Helios Towers Africa.

Additional information

Alternative Performance Measures ('APMs')

In the front section of the Group's Annual Report, APMs are used to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. These measures are usually used for internal performance reporting and in defining director and management remuneration. They are useful in connection with discussion with the investment analyst community. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Definitions, use and reconciliations to the closest IFRS measures are presented in the table below and on the following pages.

APMs	Descriptions
Management reporting numbers	The financial information presented in the front section of this Annual Report is with Guatemala (55% owned) and Honduras (66.7% owned) as if fully consolidated, while the Group equity accounts those operations in the IFRS consolidated financial statements. See next pages for reconciliation with IFRS numbers.
Service, mobile data and cable revenue	• Service revenue is Group revenue related to the provision of ongoing services such as monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services excluding telephone and equipment sales; • Mobile data revenue is Group revenue related to the provision of data for smartphone users. Mobile data revenue is included in Service revenue; • Cable revenue is Group revenue related to the provision of cable services such as broadband internet and TV. Cable revenue is included in Service revenue.
Organic growth	Organic growth represents year-on year-growth in local currency (includes regulatory changes) and constant perimeter. See next pages for reconciliation with reported numbers.
Operating profit	Operating profit is profit before taxes before results from associates, other non-operating expenses (such as foreign exchange losses and changes in fair value of derivatives) and net financial expenses.
EBITDA	EBITDA is operating profit excluding impairment losses, depreciation and amortization and gains/losses on the disposal of fixed assets.
Adjusted EBITDA	Adjusted EBITDA is EBITDA excluding one-off items such as restructuring charges, provisions for litigations, tax provisions or settlements being made relating to prior periods and other exceptional items that have materially impacted trading results that we do not expect to be recurring.

Additional information (continued)

Alternative Performance Measures ('APMs') (continued)

APMs	Descriptions
Adjusted net profit	Adjusted net profit is net profit adjusted for non-operating items such as foreign exchange gains/losses, changes in fair value of derivatives, early redemption premium for debts and other financing, dilution gains and impairments on investments in associates and similar items classified under 'other non-operating income (expenses)' as well as excluding results from discontinued operations.
Adjusted EPS	Adjusted EPS is computed based on adjusted net profit divided by the number of shares outstanding.
Return on Invested Capital	Return on Invested Capital is used to assess the Group's efficiency at allocating the capital under its control to profitable investments.
Net debt	Net debt is Gross debt (including finance leases) less cash, restricted cash and pledged deposits.
Capex measures	• Capex is balance sheet capital expenditure excluding spectrum and license costs. • Cash Capex represents the cash spent in relation to capital expenditure, excluding spectrum and licenses.
Cash flow measures	• Operating cash flow is EBITDA less capex (excluding spectrum and license costs); • Operating Free Cash Flow is operating cash flow less change in working capital and other non-cash items and taxes paid; • Equity Free Cash Flow is operating cash flow less taxes paid, interest paid (net) and advances for dividends to non-controlling interests. These measures allow us and third parties to evaluate our liquidity and the cash generated by our operations.

Additional information (continued)

Reconciliation with Guatemala and Honduras as if fully consolidated vs. IFRS (unaudited)

As previously noted, the table reconciles the Management reporting numbers which include Guatemala and Honduras on a 100% consolidation basis with the IFRS numbers which account for these businesses as joint ventures using the equity method.

Consolidated statement of income

US$ millions	Year ended 31 December 2016 Management reporting (Unaudited)	Guatemala and Honduras	JV adjustment	Year ended 31 December 2016 IFRS (Audited)
Revenue	6,249	(1,875)		4,374
Cost of sales	(1,655)	376		(1,279)
Gross profit	4,594	(1,498)		3,096
Operating expenses	(2,422)	641		(1,781)
EBITDA	2,172	(858)		1,314
EBITDA margin	34.76%	45.75%		30.04%
Depreciation & amortization	(1,368)	440		(928)
Share of net profit in joint ventures	–	–	115	115
Other operating income (expenses), net	(43)	24		(20)
Operating profit	761	(394)	115	482
Net financial expenses	(472)	100		(372)
Other non-operating income (expenses), net	(1)	11		10
Gains (losses) from associates	(49)	–		(49)
Profit before tax	239	(283)	115	71
Net tax credit (charge)	(251)	72		(180)
Profit (loss) for the year	(13)	(212)	115	(109)
Profit (loss) from discontinued operations	19	–		19
Non-controlling interests	(38)	96		58
Net profit (loss) for the year	(32)	(115)	115	(32)

Additional information (continued)

Consolidated statement of financial position

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Assets			
Non-current assets			
Intangible assets, net	**4,618**	**(3,259)**	**1,359**
Property, plant and equipment, net	**4,205**	**(1,148)**	**3,057**
Investments in joint ventures	**–**	**2,945**	**2,945**
Investments in associates	**331**	**–**	**331**
Deferred tax assets	**175**	**(9)**	**166**
Amount due from non-controlling interests, associates and joint ventures	**1**	**(1)**	**–**
Derivative financial instruments	**32**	**–**	**32**
Other non-current assets	**74**	**(2)**	**72**
Total non-current assets	**9,434**	**(1,473)**	**7,961**
Current assets			
Inventories, net	**82**	**(20)**	**62**
Trade receivables, net	**481**	**(94)**	**387**
Amounts due from non-controlling interests, associates and joint venture partners	**269**	**(252)**	**17**
Prepayments and accrued income	**209**	**(39)**	**171**
Current income tax assets	**111**	**(10)**	**101**
Supplier advances for capital expenditure	**48**	**(25)**	**23**
Other current assets	**142**	**(33)**	**110**
Restricted cash	**156**	**(11)**	**145**
Cash and cash equivalents	**947**	**(301)**	**646**
Total current assets	**2,445**	**(784)**	**1,661**
Assets held for sale	**5**	**–**	**5**
Total assets	**11,884**	**(2,257)**	**9,627**
Equity and liabilities			
Equity			
Share capital and premium	**638**	**–**	**638**
Treasury shares	**(123)**	**–**	**(123)**
Option reserves	**(749)**	**188**	**(562)**
Retained profits	**3,243**	**4**	**3,247**
Profit (loss) for the year attributable to equity holders	**(32)**	**–**	**(32)**
Equity attributable to owners of the Company	**2,976**	**191**	**3,167**
Non-controlling interests	**1,095**	**(894)**	**201**
Total equity	**4,071**	**(703)**	**3,368**
Liabilities			
Non-current liabilities			
Debt and financing	**5,147**	**(1,327)**	**3,821**
Derivative financial instruments	**84**	**–**	**84**
Amounts due to associates and joint venture partners	**1**	**112**	**113**
Provisions and other non-current liabilities	**352**	**(65)**	**286**

Additional information (continued)

Consolidated statement of financial position (continued)

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Deferred tax liabilities	**159**	**(101)**	**57**
Total non-current liabilities	**5,742**	**(1,381)**	**4,361**
Current liabilities			
Debt and financing	**143**	**(63)**	**80**
Payables and accruals for capital expenditure	**416**	**(90)**	**326**
Other trade payables	**322**	**(24)**	**297**
Amounts due to non-controlling interests, associates and joint ventures	**2**	**271**	**273**
Accrued interest and other expenses	**532**	**(157)**	**376**
Current income tax liabilities	**79**	**(11)**	**68**
Provisions and other current liabilities	**577**	**(99)**	**477**
Total current liabilities	**2,070**	**(173)**	**1,898**
Liabilities directly associated with assets held for sale	**–**	**–**	**–**
Total liabilities	**7,812**	**(1,554)**	**6,258**
Equity and liabilities	**11,884**	**(2,257)**	**9,627**

Consolidated statement of cash flows

US$ millions	Year ended 31 December 2016 (Unaudited)	IFRS adjustments	Year ended 31 December 2016 IFRS (Audited)
Cash flows from operating activities (including discontinued operations)			
Profit (loss) before taxes from continuing operations	**239**	**(168)**	**71**
Profit (loss) for the year from discontinued operations	**13**	**–**	**13**
Profit (loss) before taxes	**251**	**(168)**	**83**
Net cash provided by operating activities	**1,476**	**(598)**	**878**
Net cash used in investing activities	**(936)**	**385**	**(552)**
Net cash from (used by) financing activities	**(521)**	**80**	**(441)**
Exchange impact on cash and cash equivalents, net	**(8)**	**–**	**(8)**
Net (decrease) increase in cash and cash equivalents	**10**	**(133)**	**(123)**
Cash and cash equivalents at the beginning of the year	**937**	**(168)**	**769**
Cash and cash equivalents at the end of the year	**947**	**(301)**	**646**

Organic growth adjustments

Group revenue	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**1,636**	1,821	**6,572**	6,251
Current period	**1,594**	1,636	**6,249**	6,572
Reported growth	**(2.6%)**	(10.2%)	**(4.9%)**	5.1%
Local currency growth	**(2.1%)**	4.4%	**(0.4%)**	7.3%
Change in perimeter impact	**–**	0.5%	**–**	8.3%
FX impact	**(0.4%)**	(15.1%)	**(4.5%)**	(10.5%)

Additional information (continued)

Organic growth adjustments (continued)

Group service revenue	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**1,505**	1,647	**6,056**	5,775
Current period	**1,484**	1,505	**5,855**	6,056
Reported growth	**(1.4%)**	(8.6%)	**(3.3%)**	4.9%
Local currency growth	**(0.9%)**	6.2%	**1.2%**	5.8%
Change in perimeter impact	**–**	0.5%	**–**	9.0%
FX impact	**(0.5%)**	(15.3%)	**(4.5%)**	(10.0%)

Group EBITDA	Q4 2016	Q4 2015	12M 2016	12M 2015
Prior period	**549**	603	**2,227**	2,109
Current period	**566**	549	**2,225**	2,227
Reported growth	**3.1%**	(9.0%)	**(0.1%)**	5.6%
Local currency growth	**1.4%**	3.0%	**4.3%**	9.0%
Change in perimeter impact	**–**	(0.5%)	**–**	9.6%
FX impact	**1.7%**	(11.4%)	**(4.4%)**	(13.1%)

Independent auditor's report

To the Shareholders of Millicom International Cellular S.A.

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 15 May 2015, we have audited the accompanying consolidated financial statements of Millicom International Cellular S.A., which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position as of 31 December 2015, the consolidated statement of cash flows for the year then ended, the consolidated statement of changes in equity, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Millicom International Cellular S.A., as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The accompanying Directors' report, which is the responsibility of the Board of Directors is consistent with the consolidated financial statements.

The accompanying corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire

Luxembourg, 15 March 2016

Introduction

Corporate information

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

The Company's shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

On 9 February 2016 the Board of Directors (the "Board") authorized these consolidated financial statements for issuance. The approval will be submitted for ratification by the shareholders at the Annual General Meeting to be held on 17 May 2016.

Business activities

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, the Democratic Republic of Congo (DRC), Ghana, Rwanda, Senegal and Tanzania).

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

On 31 December 2015, Millicom deconsolidated its operations in Guatemala and Honduras which are, since that date and for accounting purposes, under joint control. Income statements of those operations are still fully consolidated for the year ended 2015 (see note A.2.2 for further details).

Millicom has investments in online/e-commerce businesses in several countries in Latin America and Africa, investments in a tower holding company in Africa and various investments in start-up businesses providing e-payments, content and educational services to its mobile and cable customers.

IFRS Consolidated financial statements

Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). This is in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards for listed companies domiciled in the European Union.

The financial statements have been prepared on a historical cost basis, except for certain items including derivative financial instruments and call options (measured at fair value), financial instruments that contain obligations to purchase own equity instruments (measured at the present value of the redemption price), and property, plant and equipment under finance leases (initially measured at the lower of fair value and present value of the future minimum lease payments).

IFRS Consolidated financial statements (continued)

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material items are not included in these financial statements.

Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as of 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

Foreign currency

Financial information in these financial statements are shown in the US dollar presentation currency of the Group and rounded to the nearest million (US$ million) except where otherwise indicated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associate reflects the economic substance of the underlying events and circumstances of these entities. Except for DRC and El Salvador where the functional currency is US dollar, the functional currency in other countries is the local currency.

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary environment) with functional currency other than the US dollar presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate on 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 recognised as a separate component of equity ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When the Group disposes of or loses control over a foreign operation, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of gain or loss on sale or loss of control.

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

IFRS Consolidated financial statements (continued)

The following table presents functional currency translation rates for the Group's locations to the US dollar on 31 December 2015 and 2014.

Exchange rates to the US dollar	Functional Currency	2015 Average rate	2015 Year-end rate	2014 Year-end rate	Change %
Bolivia	Boliviano (BOB)	6.91	6.91	6.91	0.00
Chad and Senegal	CFA Franc (XAF)	592.91	609.96	544.28	(12.07)
Colombia	Peso (COP)	2,742.39	3,149.47	2,392.46	(31.64)
Costa Rica	Costa Rican Colon (CRC)	541.13	544.87	545.53	0.12
DRC	US dollar	n/a	n/a	n/a	n/a
El Salvador	US dollar	n/a	n/a	n/a	n/a
Ghana	Cedi (GHS)	3.72	3.80	3.20	(18.75)
Guatemala	Quetzal (GTQ)	7.65	7.63	7.60	(0.39)
Honduras	Lempira (HNL)	22.02	22.43	21.59	(3.89)
Luxembourg	Euro (EUR)	0.90	0.92	0.83	(10.84)
Nicaragua	Cordoba (NIO)	27.25	27.93	26.60	(5.00)
Paraguay	Guarani (PYG)	5,199.54	5,806.91	4,629.00	(25.45)
Rwanda	Rwandan Franc (RWF)	719.78	747.41	694.37	(7.64)
Sweden	Krona (SEK)	8.41	8.44	7.84	(7.65)
Tanzania	Shilling (TZS)	1,983.17	2,159.00	1,725.79	(25.10)
United Kingdom	Pound (GBP)	0.65	0.68	0.64	(6.25)

New and amended IFRS accounting standards, changes in accounting policies

The following IFRS standards and amendments to standards have been adopted by Millicom for the first time for the financial year beginning on 1 January 2015. These have not had a material impact on Millicom.

- IFRIC 21, 'Levies' , which provides guidance on when to recognise a levy imposed by a government;
- Defined Benefit Plans : Employee Contributions (amendments to IAS 19);
- Annual Improvements projects (2010-2012 Cycle and 2011-2013) impacting IFRS 2, Share based payment; IFRS 3; Business Combinations, IFRS 8, Operating Segments, IFRS 13, Fair Value Measurement; IAS 16, Property, plant and equipment; IAS 24, Related party disclosures; and IAS 38, Intangible Assets.

The following IFRS standards, amendments and interpretations issued are not effective for the financial year beginning 1 January 2015 and have not been early adopted by Millicom.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Group does not expect a significant impact from the adoption of these amendments and intend to adopt this amendment to IFRS 10 no later than the compulsory adoption date of 1 January 2016 (subject to endorsement by the EU).
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative. These amendments are as part of the IASB initiative to improve presentation and disclosure in

New and amended IFRS accounting standards, changes in accounting policies (continued)

financial reports. The Group has considered the changes brought by IAS 1 amendments and does not expect significant further impact to its financial reporting. The Group will apply this amendment on 1 January 2016.

- Annual improvements 2014. These set of amendments impacts 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates, IAS 34, 'Interim financial reporting' regarding disclosure of information. Those amendments are not expected to have a significant impact for the Group. Effective date of adoption is 1 January 2016.
- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the compulsory adoption date of 1 January 2018 for classification, measurement and recognition provisions (subject to endorsement by the EU) and the transition date for prospective application of hedge accounting provisions (subject to endorsement by the EU) is not yet determined.
- IFRS 15, 'Revenue from Contracts with Customers', which establishes a five-step model related to revenue from customers. Under IFRS 15, revenue is recognised at amounts that reflect the consideration that an entity expects to be entitled in exchange for transferring products or services to a customer. The Group is currently assessing IFRS 15's full impact and intends to adopt IFRS 15 no later than the compulsory adoption date of 1 January 2018 (subject to endorsement by the EU).
- IFRS 16 'Leases' was issued on 13 January 2016. It replaces IAS 17 Leases. The major change introduced by the new Standard is that leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee – the lease customer), treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. The new Standard is effective 1 January 2019 (subject to endorsement by the EU). Early application is permitted (as long as the recently issued revenue Standard, IFRS 15 'Revenue from Contracts with Customers' is also applied). The application of this Standard will affect net debt and leverage ratios of the Group as all lease commitments will be brought onto the balance sheet. The Group is yet to assess IFRS 16's full impact.
- IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses" issued by the IASB in January 2016 and effective 1 January 2017 (subject to endorsement by the EU).
- Amendments to IAS 38 and IAS 16: clarification of acceptable methods of depreciation and amortization issued by the IASB in July 2014 and applicable as of 1 January 2016.

New and amended IFRS accounting standards, changes in accounting policies (continued)

- Amendments to IFRS 11: accounting for acquisitions of interests in joint operations issued by the IASB in May 2014 and applicable as of 1 January 2016.

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

In addition to the above changes and amendments, the following changes in accounting policies have been adopted by Millicom on a voluntary basis for the financial year beginning on 1 January 2015:

Millicom voluntarily changed the presentation of the income statement from function to nature of costs compared to the income statement for the year ended 31 December 2014. This was done to align the presentation of the income statement with other external releases made by the Group. A reconciliation to the former presentation of the income statement for the year ended 31 December 2014 is shown below.

	Year ended 31 December 2014		
US$ millions	Former presentation	Reclassifications	New presentation
Revenue	6,386	–	6,386
Cost of Sales	(2,522)	828	(1,694)
Gross profit	**3,864**	**828**	**4,692**
Sales and Marketing	(1,280)	1,280	–
General and Administrative expenses	(1,432)	1,432	–
Operating expenses, net	(228)	(2,371)	(2,599)
Depreciation	–	(920)	(920)
Amortisation	–	(238)	(238)
Other operating income (expenses), net	–	(11)	(11)
Operating profit	**924**	**–**	**924**

Judgments and critical estimates

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. 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 revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and 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 financial statements are disclosed in each note and are summarized below:

Judgments

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

- **Contingent liabilities** – whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- **Leases** – whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see notes E.2. and G.2.).

Judgments and critical estimates (continued)

- **Control** – whether Millicom, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates, or jointly direct the relevant activities of its joint ventures (see notes A.1., A.2.).
- **Discontinued operations and assets held for sale** – definition, classification and presentation (see notes A.4., E.3.1.).
- **Deferred tax assets** – recognition based likely timing and level of future taxable profits together with future tax planning strategies (see note B.6.3.).
- **Acquisitions** – allocation of the purchase price between the fair value of existing and newly identified assets and goodwill, the measurement of property, plant and equipment and intangible assets, and the assessment of useful lives (see notes A.1.2., E.1.1., E.1.5., E.2.1.).
- **Financial instruments that contain obligations to purchase own equity instruments** – determination of the likelihood of change of control events occurring in assessing the fair value of the Guatemala and Honduras put options (see note C.6.3).
- **Defined benefit obligations** – key assumptions related to life expectancies, salary increases and leaving rates, mainly related to UNE Colombia (see note B.4.3.).
- **Impairment testing** – Key assumptions related to future business performance (see notes E.1.2., E.1.6., E.2.2.).

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. 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:

- **Accounting for property, plant and equipment, and intangible assets** in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see note E.2.1.).
- **Useful lives of property, plant and equipment and intangible assets** (see notes E.1.1., E.2.1.).
- **Provisions, in particular provisions for asset retirement obligations, legal and tax risks** (see note F.4.).
- **Revenue recognition** (see note B.1.1.).
- **Impairment testing** including WACC and long term growth rates (see note E.1.6.).
- **Estimates for defined benefit obligations** (see note B.4.3.).
- **Accounting for share-based compensation** in particular estimates of forfeitures and future performance criteria (see note B.4.1., B.4.2.)
- **Fair value of financial assets and liabilities** in particular the put and call options related to our businesses in Guatemala and Honduras and the fair value of such investments on deconsolidation (see note A.2.2., C.6.3.).

Consolidated statement of income for the year ended 31 December 2015

US$ millions	Notes	2015(ii)	2014(i)
Revenue	B.1.	6,730	6,386
Cost of sales	B.2.	(1,854)	(1,694)
Gross profit	B.3.	**4,876**	**4,692**
Operating expenses	B.2.	(2,698)	(2,599)
Depreciation	E.2.1.	(1,075)	(920)
Amortisation	E.1.3.	(246)	(238)
Other operating income (expenses), net	E.1.6.	(66)	(11)
Operating profit	B.3.	**791**	**924**
Interest expense		(442)	(426)
Interest and other financial income		22	22
Revaluation of previously held interest	A.1.2.	–	2,250
Other non-operating (expenses) income, net	B.5.	(624)	211
Income from joint ventures and associates, net	A.2.,A.3.	100	55
Profit (loss) before taxes from continuing operations		**(153)**	**3,036**
Charge for taxes, net	B.6.	(291)	(256)
Profit (loss) for the year from continuing operations		**(444)**	**2,780**
Profit (loss) for the year from discontinued operations, net of tax	A.4.	–	21
Net (loss) profit for the year		**(444)**	**2,801**
Attributable to:			
The owners of Millicom		(559)	2,643
Non-controlling interests		115	158
Earnings per common share for profit (loss) attributable to the owners of the Company:			
Basic (US$ per common share):			
– from continuing operations		(5.59)	26.22
– from discontinued operations		–	0.21
– total	B.7.	**(5.59)**	**26.43**
Diluted (US$ per common share)			
– from continuing operations		(5.59)	26.21
– from discontinued operations		–	0.21
– total	B.7.	**(5.59)**	**26.42**

(i) Presentation of the income statement from cost of sales to operating profit has been amended compared to the income statement reported in 2014 for the year ended 31 December 2014.

(ii) The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 and 2014 consolidated income statement is shown in note A.2.2.

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

Consolidated statement of comprehensive income for the year ended 31 December 2015

US$ millions	2015	2014
Net profit (loss) for the year	(444)	2,801
Other comprehensive income (to be reclassified to the income statement in subsequent periods), net of tax:		
Exchange differences on translating foreign operations(i)	(438)	(380)
Cash flow hedges	(3)	1
Other comprehensive income (not to be reclassified to the income statement in subsequent periods), net of tax:		
Remeasurements of post-employment benefit obligations	–	1
Total comprehensive income (loss) for the year	**(885)**	**2,423**
Attributable to:		
Owners of the Company	(897)	2,433
Non-controlling interests	12	(10)

(i) Exchange differences of $192 million has been reclassified in the income statement as of 31 December 2015 following the deconsolidation of Honduras and Guatemala (see note A.2.2.)

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

Consolidated statement of financial position at 31 December 2015

US$ millions	Notes	31 December 2015	31 December 2014(i)
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.	1,413	5,515
Property, plant and equipment, net	E.2.	3,206	4,751
Investments in joint ventures	A.2.	3,220	89
Investments in associates	A.3.	363	185
Deferred tax assets	B.6.	188	294
Amount due from non-controlling interests, associates and joint ventures	G.5.	–	24
Derivative financial instruments	D.1.2.	26	–
Other non-current assets		75	91
TOTAL NON-CURRENT ASSETS		**8,491**	**10,949**
CURRENT ASSETS			
Inventories, net	F.2.	80	148
Trade receivables, net	F.1.	398	492
Amounts due from non-controlling interests, associates and joint venture partners	G.5.	16	325
Call option assets	C.6.3.	–	74
Prepayments and accrued income		193	274
Current income tax assets		125	150
Supplier advances for capital expenditure		39	64
Other current assets		98	93
Restricted cash	C.4.	142	128
Cash and cash equivalents	C.4.	769	694
TOTAL CURRENT ASSETS		**1,860**	**2,442**
Assets held for sale	E.3.2.	12	27
TOTAL ASSETS		**10,363**	**13,418**

(i) The consolidated statement of financial position for the year ended 31 December 2014 has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

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

Consolidated statement of financial position (continued) at 31 December 2015

US$ millions	Notes	31 December 2015	31 December 2014(i)
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	C.1.	639	639
Treasury shares		(143)	(160)
Put option reserve	C.1.	–	(2,512)
Other reserves	C.1.	(531)	(389)
Retained profits		4,071	2,118
Profit (loss) for the year attributable to equity holders		(559)	2,643
Equity attributable to owners of the Company		**3,477**	**2,339**
Non-controlling interests	A.1.5.	214	1,391
TOTAL EQUITY		**3,691**	**3,730**
LIABILITIES			
Non-current liabilities			
Debt and financing	C.3.	3,789	4,565
Derivative financial instruments	D.1.2.	65	43
Amounts due to associates and joint venture partners	G.5.	63	31
Provisions and other non-current liabilities	F.4.3.	247	298
Deferred tax liabilities	B.6.	50	184
Total non-current liabilities		**4,214**	**5,121**
Current liabilities			
Debt and financing	C.3.	221	358
Put option liabilities (Guatemala and Honduras)	C.6.	–	2,260
Payables and accruals for capital expenditure		285	371
Other trade payables		334	386
Amounts due to non-controlling interests, associates and joint ventures	G.5.	581	26
Accrued interest and other expenses		425	500
Current income tax liabilities		124	143
Provisions and other current liabilities	F.4.1.	488	521
Total current liabilities		**2,458**	**4,565**
Liabilities directly associated with assets held for sale	E.3.2.	–	2
TOTAL LIABILITIES		**6,672**	**9,688**
TOTAL EQUITY AND LIABILITIES		**10,363**	**13,418**

(i) The consolidated statement of financial position for the year ended 31 December 2014 has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

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

Consolidated statement of cash flows for the year ended 31 December 2015

US$ millions	Notes	2015	2014(i)
Cash flows from operating activities			
Profit (loss) before taxes from continuing operations		**(153)**	**3,036**
Profit (loss) for the period from discontinued operations	A.4.	–	21
Profit (loss) before taxes		**(153)**	**3,057**
Adjustments to reconcile to net cash:			
Interest expense (income), net		442	426
Interest and other financial income		(22)	(22)
Adjustments for non-cash items:			
Depreciation and amortization		1,321	1,158
Share of (gain) loss from joint ventures, net	A.2.	–	8
Loss on disposal and impairment of assets, net	E.1.6.	66	15
Share based compensation	C.1.	19	22
Revaluation of previously held interest	A.1.2.	–	(2,250)
(Income) loss from associates, net	A.3.	(100)	(67)
Other non-cash non-operating (income) expenses, net	B.5.	622	(235)
Changes in working capital:			
Decrease (increase) in trade receivables, prepayments and other current assets		162	59
(Increase) decrease in inventories		17	(2)
Increase (decrease) in trade and other payables		(117)	–
Changes in working capital:		**62**	**57**
Interest (paid)		(377)	(350)
Interest received		23	19
Taxes (paid)		(252)	(380)
Net cash provided by operating activities		**1,651**	**1,458**
Cash flows from investing activities:			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	A.1.2.	(54)	37
Effect of deconsolidation of Guatemala and Honduras subsidiaries	A.2.2.	(168)	–
Proceeds from disposal of subsidiaries	A.1.4.	4	175
Purchase of intangible assets and licenses	E.1.4.	(186)	(184)
Proceeds from sale of intangible assets	E.1.3.	4	7
Purchase of property, plant and equipment	E.2.3.	(1,019)	(1,128)
Proceeds from sale of property, plant and equipment	E.2.2.	5	13
(Increase) decrease of pledged deposits		–	800
Net (increase) decrease in restricted cash		(17)	(48)
Dividend received from associates	A.3.	6	–
Cash (used in) provided by other investing activities, net		14	52
Net cash used in investing activities		**(1,411)**	**(276)**
Cash flows from financing activities:			
Acquisition of non-controlling interests	A.1.2.	(39)	–
Payment of liabilities related to UNE merger	A.1.2.	–	(860)
Proceeds from other debt and financing	C.3.	1,880	1,348
Repayment of debt and financing	C.3.	(1,392)	(1,182)
Advances for, and dividends to non-controlling interests	A.1./A.2.	(269)	(300)
Payment of dividends to equity holders	C.2.	(264)	(264)
Cash (used in) provided by other financing activities, net		–	(110)
Net cash from (used by) financing activities		**(84)**	**(1,368)**
Exchange impact on cash and cash equivalents, net		(81)	(29)
Net (decrease) increase in cash and cash equivalents		**75**	**(215)**
Cash and cash equivalents at the beginning of the year		694	909
Cash and cash equivalents at the end of the year		**769**	**694**

(i) Cash flows from operating activities, investing activities and financing activities relating to Guatemala and Honduras operations in 2015 and 2014 are shown in note A.2.2.

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

Consolidated statement of changes in equity for the year ended 31 December 2015

US$ millions	Number of shares (000's)	Number of shares held by the Group (000's)	Share capital(i)	Share premium	Treasury shares	Retained profits(ii)	Put option reserve	Other reserves(iv)	Total	Non-controlling interests	Total equity
Balance on 31 December 2013	**101,739**	**(1,895)**	**153**	**488**	**(172)**	**2,383**	**(737)**	**(185)**	**1,929**	**152**	**2,081**
Total comprehensive income for the year	–	–	–	–	–	2,643	–	(210)	2,433	(10)	2,423
Dividends(v)	–	–	–	–	–	(264)	–	–	(264)	(194)	(458)
Purchase of treasury shares	–	(26)	–	–	(3)	–	–	–	(3)	–	(3)
Share based compensation(vi)	–	–	–	–	–	–	–	22	22	–	22
Issuance of shares under share based compensation schemes	–	165	–	(1)	15	1	–	(15)	–	–	–
Change in scope of consolidation(vii)	–	–	–	–	–	–	–	–	–	1,461	1,461
Deconsolidation of Online businesses	–	–	–	–	–	–	–	–	–	(4)	(4)
Put option(iii)	–	–	–	–	–	–	(1,775)	–	(1,775)	–	(1,775)
Completion of UNE purchase price allocation	–	–	–	–	–	(2)	–	(1)	(3)	(14)	(17)
Balance on 31 December 2014(viii)	**101,739**	**(1,756)**	**153**	**487**	**(160)**	**4,761**	**(2,512)**	**(389)**	**2,339**	**1,391**	**3,730**
Total comprehensive income for the year	–	–	–	–	–	(559)	–	(338)	(897)	12	(885)
Dividends(v)	–	–	–	–	–	(264)	–	–	(264)	(244)	(508)
Purchase of treasury shares	–	(29)	–	–	(2)	–	–	–	(2)	–	(2)
Share based compensation(vi)	–	–	–	–	–	–	–	19	19	–	19
Issuance of shares under share based compensation schemes	–	209	–	(1)	19	–	–	(18)	–	–	–
Change in scope of consolidation(vii)	–	–	–	–	–	(48)	–	3	(45)	(27)	(72)
Effect of deconsolidation(ix)	–	–	–	–	–	–	–	192	192	(918)	(726)
Put option liability reversal(iii)	–	–	–	–	–	(377)	2,512	–	2,135	–	2,135
Balance on 31 December 2015	**101,739**	**(1,574)**	**153**	**486**	**(143)**	**3,513**	**–**	**(531)**	**3,477**	**214**	**3,691**

(i) Share Capital and Share Premium – see note C.1..

(ii) Retained Profits – includes profit for the year attributable to equity holders, of which $437million; (2014: $444 million) are not distributable to equity holders.

(iii) Put option reserve – see note C.1..

(iv) Other reserves – see note C.1..

(v) Dividends – see notes C.2..

(vi) Share-based compensation – see note C.1..

(vii) Change in scope of consolidation – Zantel, Edatel, Tigo Rwanda see note A.1.2..

(viii) The consolidated statement of financial position for the year ended 31 December 2014 has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(ix) Effect of deconsolidation of Honduras and Guatemala – see note A.2.2.

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

Notes to the consolidated financial statements for the year ended 31 December 2015

A/ The Millicom Group

The Group comprises a number of holding companies and operating subsidiaries with various combinations of mobile, fixed line telephony, cable and wireless PayTV, internet and mobile financial services businesses. The Group also holds investments in a tower holding company investing in Africa and in online businesses in Latin America and Africa.

A.1. Subsidiaries

Subsidiaries are all entities which Millicom controls. Millicom controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. Millicom has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether Millicom controls an entity. For example, although Millicom holds less than 50% of the shares in its Colombia businesses, it holds more than 50% of shares with voting rights).

Our main subsidiaries are as follows:

Entity	Country	Activity(s)	31 December 2015 % Holding	31 December 2014 % Holding
Central America				
Telemovil El Salvador S.A.	El Salvador	Mobile, MFS	100.0	100.0
Cable El Salvador S.A. de C.V.	El Salvador	Cable, DTH	100.0	100.0
Navega.com SA, Succursal El Salvador	El Salvador	Cable, DTH	100.0	100.0
Comunicaciones Celulares S.A.*(i)*	Guatemala	Mobile, MFS	–	55.0
Navega.com S.A.*(i)*	Guatemala	Cable, DTH	–	55.0
Telefonica Celular S.A.*(i)*	Honduras	Mobile, MFS	–	66.7
Navega S.A. de CV*(i)*	Honduras	Cable, DTH	–	66.7
Cable Costa Rica S.A.	Costa Rica	Cable, DTH	100.0	100.0
South America				
Telefonica Celular de Bolivia S.A.	Bolivia	Mobile, DTH, MFS	100.0	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	Mobile, MFS, Cable, PayTV	100.0	100.0
Colombia Movil S.A. E.S.P.*(ii)*	Colombia	Mobile	50.0-1 share	50.0-1 share
UNE EPM Telecomunicaciones S.A.*(ii)*	Colombia	Fixed line, Internet, PayTV, Mobile	50.0-1 share	50.0-1 share
Edatel S.A. E.S.P.*(ii)*	Colombia	Fixed line, Internet, PayTV	50.0-1 share	40.0-1 share
Africa				
Millicom Ghana Company Limited	Ghana	Mobile, MFS	100.0	100.0
Sentel GSM S.A.	Senegal	Mobile, MFS	100.0	100.0
MIC Tanzania Limited	Tanzania	Mobile, MFS	100.0	100.0
Oasis S.A.	DRC	Mobile, MFS	100.0	100.0
Millicom Tchad S.A.	Chad	Mobile, MFS	100.0	100.0
Millicom Rwanda Limited	Rwanda	Mobile, MFS	100.0	87.5
Zanzibar Telecom Limited	Tanzania	Mobile, MFS	85.0	–
Unallocated				
Millicom International Cellular S.A.	Luxembourg	Ultimate Holding Company	n/a	n/a
Millicom International Operations S.A.	Luxembourg	Holding Company	100.0	100.0
Millicom International Operations B.V.	Netherlands	Holding Company	100.0	100.0
MIC Latin America B.V.	Netherlands	Holding Company	100.0	100.0
Millicom Africa B.V.	Netherlands	Holding Company	100.0	100.0
Millicom Holding B.V.	Netherlands	Holding Company	100.0	100.0
Millicom Spain S.L.	Spain	Holding Company	100.0	100.0

(i) Fully consolidated income statement until 31 December 2015 as Millicom had, through its call options (see note C.6.3.), the power to affect the variable returns due to shareholder agreements including the process and substance of setting key operating and financial policies. These operations have been deconsolidated on 31 December 2015 and accounted for as investments in joint ventures under the equity method given the Group has joint control over these operations (see note A.1.2.).

(ii) Fully consolidated as Millicom has the majority of voting shares to direct the relevant activities.

A/ The Millicom Group (continued)

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to Millicom. If facts and circumstances indicate that there are changes to one or more of the elements of control a reassessment is performed to determine if control still exists. Subsidiaries are de-consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Acquisition of subsidiaries and increases in non-controlling interests in subsidiaries

During 2015 Millicom acquired 85% of the shares and control of Zanzibar Telecom Limited, raised its stake in its Rwandan subsidiary from 87.5% to 100% and in one of the UNE subsidiaries (Edatel S.A. E.S.P.) from 80% to 100%. The Group also made other smaller acquisitions for total consideration of $20 million.

During 2014 Millicom acquired control over UNE and its subsidiaries, acquired path to control over the Guatemala business and its subsidiaries. The Group also made other smaller acquisitions for total consideration of $19 million.

Acquisition of Zanzibar Telecom Limited on 22 October 2015

On 4 June 2015 Millicom's fully owned Swedish subsidiary Millicom International Ventures AB entered into an agreement to purchase 85% of Zanzibar Telecom Limited ("Zantel"). The agreed purchase consideration was $1, including a shareholder loan, and in addition Millicom assumed Zantel's debt obligations. The transaction completed on 22 October 2015 after receipt of regulatory approvals. A final price adjustment, per the terms of the agreement, is expected to occur in Q1 2016. The deal also includes a reverse earn-out mechanism based on Zantel's achievement of EBITDA targets for the period from 2017 to 2019. No amounts have been recognised under this mechanism at 31 December 2015. The goodwill is not expected to be tax deductible. For the purchase accounting, Millicom determined the fair value of Zantel based on transaction and relative values. The non-controlling interest was measured based on the proportionate share of the fair value of the net assets of Zantel. The purchase price allocation exercise is still provisional at 31 December 2015.

22 October 2015 (US$ millions)	Provisional Fair Values 100%
Intangible assets (excluding goodwill), net.	36
Property, plant and equipment, net	40
Other non-current assets	1
Current assets (excluding cash and cash equivalents)*(i)*	30
Cash and cash equivalents	5
Total Assets Acquired	**112**
Non-current financial liabilities	81
Current liabilities	104
Total Liabilities Assumed	**185**
Fair value of assets acquired and liabilities assumed, net	**(73)**
Fair value of non-controlling interest in Zantel	(39)
Millicom's interest in the fair value of Zantel	(34)
Acquisition price ($1)	–
Provisional Goodwill	**34**

(i) The fair value of trade receivables acquired was $19 million.

A/ The Millicom Group (continued)

From acquisition date to 31 December 2015, Zantel contributed $9 million of revenue and loss of $8 million to profit before tax from continuing operations of the Group. If Zantel had been acquired on 1 January 2015 incremental revenue for the year would have been $61 million and incremental loss for that period $33 million. Acquisition related costs included in the income statement under operating expenses were immaterial.

Control over UNE and subsidiaries obtained on 14 August 2014

On 1 October 2013 Millicom signed an agreement with Empresas Públicas de Medellín E.S.P. ("EPM"), to combine and merge their mutual interests in Millicom's Colombian operations ("Colombia Móvil"), with UNE EPM Telecomunicaciones S.A. ("UNE"). The merger created a business offering a comprehensive range of bundled digital services including mobile and fixed telephony, mobile and fixed broadband and PayTV products and services in complementary geographic areas.

By 14 August 2014 all approvals had been obtained, and steps precedent to Millicom obtaining control had been completed. Millicom obtained control over UNE through the merger of Millicom Spain Cable S.L. (a fully owned subsidiary of Millicom) and UNE as a result.

(i) Millicom Spain Cable S.L. which held $860 million in cash and Millicom's 50%+1 share controlling interest in Colombia Móvil was absorbed by UNE; and

(ii) Millicom obtained a 50%-1 share interest in UNE and 50%+1 of the voting shares.

UNE already owned 25%-1 share of Colombia Móvil before 1 October 2013, and prior to 14 August 2014, UNE purchased an additional 25% of Colombia Móvil from a third party for $243 million. Therefore prior to completion of the merger UNE owned 50%-1 share of Colombia Móvil and after the merger 100%. As a result of the merger Millicom retained control over Colombia Móvil (as Millicom owned 50%+1 share of Colombia Movil before the merger). After 14 August 2014, UNE paid to the third party the $243 million for its additional 25% in Colombia Móvil and paid $617 million of dividends (declared before the merger) to EPM.

For the purchase accounting, Millicom determined the fair value of UNE based on transaction and relative values. The non-controlling interest was measured based on the proportionate share of the fair value of the net assets of UNE. As Colombia Móvil remained controlled by Millicom before and after the transaction there was no remeasurement of Millicom's investment in Colombia Móvil.

A/ The Millicom Group (continued)

In August 2015, the purchase accounting for the acquisition of UNE was finalized. The property, plant and equipment was revalued to $1,571 million (from $1,417 million), mainly as a result of a reassessment of economic useful lives of the network assets and recognition of assets under finance leases. Finance lease liabilities of $118 million were recorded, as well as provisions of $18 million related to onerous contracts of the 4G business, and deferred tax liabilities of $9 million related to the fair value adjustments. Goodwill increased by $10 million as follows:

14 August 2014 (US$ millions)	Provisional Fair Value 100%	Final Fair value 100%	Change
Intangible assets (excluding goodwill), net	297	303	6
Property, plant and equipment, net	1,417	1,571	154
Other non-current assets	74	74	–
Current assets (excluding cash)*(i)*	347	350	3
Cash and cash equivalents	123	114	(9)
Assets held for sale (see note E.3.)	22	14	(8)
Total Assets Acquired	**2,280**	**2,426**	**146**
Non-current financial liabilities	413	581	168
Current liabilities	608	608	–
Total Liabilities Assumed	**1,021**	**1,189**	**168**
Fair value of assets acquired and liabilities assumed, net*(ii)*	**1,259**	**1,237**	**(22)**
Fair value of non-controlling interest in the UNE Group*(iii)*	646	635	(11)
Millicom's interest in the fair value of the UNE Group	613	603	(10)
Goodwill*(iv)*	**247**	**257**	**10**

(i) The fair value of trade receivables acquired was $177 million.

(ii) After deducting from equity the $617 million of dividends declared prior to the merger and including the additional 25% ownership acquired by UNE in Colombia Móvil for $243 million from a third party prior to the merger.

(iii) The non-controlling interest in one of UNE's subsidiaries was 60%.

(iv) $860 million consideration less Millicom's $603 million interest in the fair value of the net assets acquired.

The completion of the purchase price allocation resulted in an impact on net profit of $(2.4) million and $(2.1) million for the years ended 31 December 2014 and 2015, respectively. The impact on 2014 net profit has been considered as immaterial and adjusted against retained profits with no restatement of the related income statement. The goodwill, which comprises the fair value of the assembled work force and expected synergies from the merger, is not expected to be tax deductible. From 14 August 2014 to 31 December 2014, UNE contributed $504 million of revenue and loss of $16 million to profit before tax from continuing operations of the Group. If UNE had been acquired on 1 January 2014 incremental revenue for the year would have been $1,369 million and incremental loss for that period $18 million.

Acquisition related costs included in the income statement under operating expenses were approximately $1 million.

Control over Guatemalan subsidiaries obtained on 1 January 2014

In January 2014 Millicom reached agreement with its local partner in Guatemala, Miffin Associates Corp ("Miffin"), whereby Millicom acquired an unconditional option to acquire Miffin's 45% stake in the Guatemalan operations. Millicom could exercise the call option at any time until 31 December 2015. The call option enabled Millicom to control Comcel and in

A/ The Millicom Group (continued)

accordance with IFRS 10 'Consolidated Financial Statements' effective 1 January 2014, Millicom fully consolidated Guatemala from 1 January 2014. Previously, the Guatemalan operations were proportionately consolidated.

Prior to this agreement Millicom was dependent on the consent of Miffin for strategic decisions related to the Guatemala operations, as the shareholders agreement required a vote of 80% of shares to authorise and approve significant financial and operating policies of the Guatemala operations

The call option price was a fixed multiple of the EBITDA of the Guatemala operations, with a gold price index in the event the gold price were to increase by more than 40%.

In return, Millicom granted Miffin a put option for the same duration, exercisable in the event Millicom sold its 55% interest in the Guatemala operations or underwent a change of control, and consideration of $15 million. A change of control event may have occurred at Millicom level which would have been beyond the control of Millicom. Such an event would have triggered the ability of our local partner to exercise his put option at his discretion at any time. The put option was accounted for as a financial liability and Millicom recorded a current liability for the present value of the redemption price of the put option of $1,775 million at 1 January 2014 against a corresponding put option reserve in equity.

On acquiring control of the Guatemala operations in January 2014, Millicom revalued to fair value its 55% interest in Guatemala operations, and recognised a gain of $2,250 million under reevaluation of previously held interests. The goodwill is not deductible for tax purposes.

The fair value of the Guatemala operations was determined based on a discounted cash flow calculation. The assets and liabilities recognised as a result of the revaluation were as follows:

1 January 2014 (US$ millions)	Fair Value 100%	Historical value of 55% interest
Intangible assets (excluding goodwill), net	1,401	84
Property, plant and equipment, net	653	349
Other non-current assets	7	4
Current assets (excluding cash)	332	184
Cash and cash equivalents	54	30
Total Assets Acquired	**2,447**	**651**
Non-current financial liabilities	324	187
Other long-term liabilities	22	2
Current liabilities	290	160
Total Liabilities Assumed	**636**	**349**
Fair value of assets acquired and liabilities assumed, net	**1,811**	**302**

Allocation of fair value to each shareholder:

Fair value of Miffin's 45% non-controlling interest.	815
Fair value of Millicom's 55% interest	996
Fair value of assets acquired and liabilities assumed, net	**1,811**

Revaluation of previously held interest:

Fair value of Millicom's 55% interest	996
Fair value of Millicom's call option	28
Goodwill arising on change of control	1,528
Total	**2,552**
Historical carrying value of Millicom's 55% interest in the Guatemala operations	(302)
Revaluation of previously held interest	**2,250**

A/ The Millicom Group (continued)

By 31 December 2015, the Group had not exercised its call options and the interest in the Guatemala operations was therefore deconsolidated and recorded as an equity method investment in a joint venture as of 31 December 2015 (see note A.2.2.).

A.1.3. Cash flows from acquisition of subsidiaries, joint ventures and associates

Cash inflows and outflows (US$ millions)	2015	2014(i)
Net cash acquired from full consolidation of Guatemala	–	39
Net cash acquired from acquisition of UNE	–	114
Net cash acquired from acquisition of Zantel	5	–
Increase in shareholdings (investments) in Online businesses	(29)	(79)
Other acquisitions (net of cash acquired)	(30)	(37)
Total	**(54)**	**37**

(i) Restated after finalisation of the UNE purchase accounting (note A.1.2.).

A.1.4. Disposal of subsidiaries and decreases in non-controlling interests of subsidiaries

Other disposals

For the year ended 31 December 2015, Millicom disposed of minor subsidiaries for cash consideration of $4 million.

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests

At 31 December 2014, Millicom's subsidiaries with material non-controlling interests were Colombia Movil, UNE, the Guatemala operations and the Honduras operations. On 31 December 2015, Millicom has deconsolidated its operations in Guatemala and Honduras which are, since that date, under joint control and accounted for under the equity method (see note A.2.2.). Therefore, at 31 December 2015, Millicom's subsidiaries having material non-controlling interests are Colombia Móvil and UNE.

Balance Sheet – non-controlling interests 31 December (US$ millions)	2015	2014(i)
Guatemala operations (until 31 December 2015 – see note A.2.2.)	–	805
Honduras operations (until 31 December 2015 – see note A.2.2.)	–	123
Colombia Móvil	10	22
UNE (from August 14, 2014 – see note A.1.2.)	244	466
Others	(40)	(25)
Total	**214**	**1,391**

(i) The consolidated statement of financial position for the year ended 31 December 2014 has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

Profit (loss) attributable to non-controlling interests (US$ millions)	2015	2014
Guatemala operations (until 31 December 2015 – see note A.2.2.)	148	157
Honduras operations (until 31 December 2015 – see note A.2.2.)	20	23
Colombia Móvil	(19)	2
UNE (from 14 August 2014 – see note A.1.2.)	(31)	(14)
Others	(3)	(10)
Total	**115**	**158**

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The summarised financial information for the year ended 31 December 2015 in respect of material non-controlling interests in the Guatemala and Honduras operations are presented in Note A.2.2.

The summarised financial information for material non-controlling interests in UNE and Colombia Móvil is provided below. This information is based on amounts before inter-company eliminations.

Colombia Móvil (US$ millions)	2015	2014
Revenue	**945**	**1,173**
Total operating expenses	(356)	(473)
Operating profit	**122**	**157**
Net profit (loss) for the year	(38)	4
50% non-controlling interest in net profit (loss)	**(19)**	**2**
Total Assets (excluding goodwill)	876	1,047
Total Liabilities	821	1,002
Net Assets	**55**	**45**
50% non-controlling interest in net assets	28	22
Consolidation adjustments	(18)	–
Total non-controlling interest	**10**	**22**
Net cash from operating activities	60	172
Net cash from (used in) investing activities	(125)	(192)
Net cash from (used in) financing activities	76	25
Net increase (decrease) in cash and cash equivalents	**11**	**5**

UNE and subsidiaries (from 14 August 2014) (US$ millions)	2015	2014(i)
Revenue	**1,080**	**511**
Total operating expenses	(412)	(198)
Operating profit (loss)	**(28)**	**(3)**
Net profit (loss) for the year/period since acquisition	(62)	(28)
50% non-controlling interest in net profit (loss)	**(31)**	**(14)**
Total Assets (excluding goodwill)	1,863	2,045
Total Liabilities	1,118	994
Net Assets	**745**	**1,051**
50% non-controlling interest in net assets	373	525
Consolidation adjustments	(129)	(59)
Total non-controlling interest	**244**	**466**
Dividends and advances paid to non-controlling interest	11	–
Net cash from operating activities	371	106
Net cash from (used in) investing activities	(569)	101
Net cash from (used in) financing activities	112	(52)
Net increase (decrease) in cash and cash equivalents	**(86)**	**155**

(i) The consolidated statement of financial position for the year ended 31 December 2014 has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

A/ The Millicom Group (continued)

A.2. Joint ventures

Joint ventures are businesses over which Millicom exercises joint control as decisions over the relevant activities of each require unanimous consent of shareholders. Millicom determines the existence of joint control by reference to joint venture agreements, articles of association, structures and voting protocols of the Board of Directors of those ventures.

Our main joint ventures are as follows:

Entity	Country of incorporation	Activity(ies)	31 December 2015 % Holding	31 December 2014 % Holding
Africa				
Africa Internet Holding GmbH (AIH)(i)	Germany	Online marketplace, retail and services	–	33.33
Latin America				
Comunicaciones Celulares S.A.	Guatemala	Mobile, MFS	55	–
Navega.com S.A.	Guatemala	Cable, DTH	55	–
Telefonica Celular S.A.	Honduras	Mobile, MFS	66.7	–
Navega S.A. de CV	Honduras	Cable, DTH	66.7	–

(i) During 2015, Millicom ceased to jointly control AIH following changes in shareholder rights. Hence AIH has been considered as an investments in an associate as of 31 December 2015 as urther detailed in note A.3.

At 31 December 2015 Millicom's joint ventures are mainly composed of its 66.66% shareholding in the Honduras operations and its 55% shareholding in the Guatemala operations (see note A.2.2.). The carrying value of Millicom's investments in joint ventures was as follows:

Carrying value of investments in joint ventures at 31 December (US$ millions)	%	2015	2014
Honduras operations(i)	66.66%	983	–
Guatemala operations(i)	55%	2,237	–
African Internet Holding GmbH (AIH)(ii)	33.33%	–	89
Total		**3,220**	**89**

(i) Includes all the companies under the Honduras and Guatemala groups.

(ii) Still owned at 33.33% but considered as an associate in 2015 as Millicom ceased to jointly control AIH following changes in shareholder rights.

At 31 December 2015 the Group had not incurred obligations or made payments on behalf of Guatemala or Honduras operations.

A.2.1. Accounting for Joint Ventures

Joint ventures are accounted for using the equity method of accounting and are initially recognised at cost (i.e. fair value at the time of deconsolidation for investments in Honduras and Guatemala). The Group's investments in joint ventures include goodwill (net of any accumulated impairment loss) on acquisition.

The Group's share of post-acquisition profits or losses of joint ventures is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a joint venture equals or exceeds

A/ The Millicom Group (continued)

its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the joint ventures.

Gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in joint ventures are recognised in the income statement.

A.2.2. Honduras and Guatemala operations deconsolidation

Effective 1 July 2010 (Honduras) and 1 January 2014 (Guatemala), Millicom reached agreements with its respective local partners whereby the local partners granted Millicom an unconditional call option for a duration of five years (Honduras) and two years (Guatemala) for their respective stakes in its Honduras and Guatemala operations. At the same time, and as a consideration for the call options, Millicom granted put options for the same duration to its local partners. The put options were exercisable on a change of control of Millicom International Cellular S.A., or Millicom's subsidiaries that hold the shares in the Honduras and Guatemala operations.

On 19 June 2015 Millicom reached an agreement with its local partner to extend Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business until 31 December 2015 and in return extended the local partners conditional put option over the 33.3% stake. All other terms and conditions of the put and call options remained unchanged.

Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business, as extended by six months from 1 July 2015 expired unexercised on 31 December 2015, and accordingly the Honduran business was deconsolidated from 31 December 2015.

Similarly, Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired unexercised on 31 December 2015, and accordingly, the Guatemala business was deconsolidated from 31 December 2015.

At the same time the conditional put options Millicom provided to the other shareholders also lapsed.

As a consequence, on 31 December 2015, Millicom deconsolidated its investments in Honduras and Guatemala operations and accounted for them under the equity method, initially at fair value of respectively $2.2 billion for Guatemala and $1.0 billion for Honduras, resulting in a loss on the deconsolidation of these businesses amounting to $391 million, including recycling of foreign currency exchange losses accumulated in equity of $192 million, which is recorded under "Other non-operating income (expenses), net". The fair values of Honduras and Guatemala operations were determined based on a discounted cash flow calculation.

As from 31 December 2015 onwards, Millicom therefore jointly controls the Honduras and Guatemala operations and accounts for its investments in these operations under the equity method and thus will report its share of the net income of each of these businesses in the income statement in the caption "Income (loss) from joint ventures" starting 1 January 2016.

Lapse of the put options for both operations resulted in the extinguishment of both put option liabilities amounting to $2,135 million on 31 December 2015. The carrying values of both

A/ The Millicom Group (continued)

liabilities have been settled against the put option reserve within equity for $2,512 million (amount recognised at inception) and against retained profits for the residual difference of $(377) million.

Summarised financial information for the years ended 31 December 2015 and 2014 of the Guatemala and Honduras operations is as follows. This information is based on amounts before inter-company eliminations.

Guatemala(i) (US$ millions)	2015	2014
Revenue	**1,306**	**1,247**
Cost of sales	(258)	(236)
Gross profit	**1,048**	**1,011**
Operating expenses	(396)	(377)
Depreciation and amortisation	(232)	(226)
Other operating income (expenses), net	(1)	(2)
Operating profit	**419**	**406**
Financial income/(expenses)	(64)	(56)
Other non-operating income (expenses), net	–	12
Profit before taxes	**355**	**362**
Charge for taxes, net	(77)	(63)
Profit for the year	**278**	**299**
Net profit for the year attributable to the owners of Millicom	**130**	**142**
45% non-controlling interest in net profit	(125)	(135)
Consolidation adjustments	(23)	(22)
Non-controlling interest in net profit for Guatemala	(148)	(157)
Dividends and advances paid to non-controlling interest	216	284
Total Assets (excluding goodwill)	2,939	2,819
Total Liabilities	1,287	1,039
Net Assets	**1,652**	**1,780**
Non-controlling interests in net assets	n/a	801
Consolidation adjustments	n/a	4
45% non-controlling interest in net assets	n/a	805
Net cash from operating activities	525	398
Net cash from (used in) investing activities	(658)	(682)
Net cash from (used in) financing activities	195	345
Exchange impact on cash and cash equivalents, net	1	2
Net increase (decrease) in cash and cash equivalents	**63**	**63**

(i) Includes all operations under the combined Guatemala group.

A/ The Millicom Group (continued)

Honduras(i) (US$ millions)	2015	2014
Revenue	**649**	**631**
Cost of sales	(159)	(139)
Gross profit	**490**	**492**
Operating expenses	(207)	(195)
Depreciation and amortisation	(124)	(121)
Other operating income (expenses), net	–	(7)
Operating profit	**159**	**169**
Financial income/(expenses)	(22)	(28)
Other non-operating income (expenses), net	(45)	(48)
Profit before taxes	**92**	**93**
Charge for taxes, net	(51)	(45)
Profit for the year	**41**	**48**
Net profit for the year attributable to the owners of Millicom	**21**	**25**
33.33% non-controlling interest in net profit	(14)	(16)
Consolidation adjustments	(6)	(7)
Non-controlling interest in net profit for Honduras	(20)	(23)
Dividends and advances paid to non-controlling interest	42	18
Total Assets (excluding goodwill)	946	953
Total Liabilities	624	616
Net Assets	**322**	**337**
Non-controlling interests in net assets	n/a	112
Consolidation adjustments	n/a	11
33.33% non-controlling interest in net assets	n/a	123
Net cash from operating activities	175	136
Net cash from (used in) investing activities	(180)	(184)
Net cash from (used in) financing activities	6	33
Exchange impact on cash and cash equivalents, net	–	–
Net increase (decrease) in cash and cash equivalents	**1**	**(15)**

(i) Includes all operations under the combined Honduras group.

A/ The Millicom Group (continued)

If the Honduras and Guatemala operations had been deconsolidated from 1 January 2014 (opening balance of the comparative period) and accounted for as joint ventures, the group key results and cash flows would have been as follows:

Summary Group Income Statement, financial position and cash flows with Guatemala and Honduras operations as joint ventures (US$ millions)	2015	2014
Revenue	**4,775**	**4,508**
Cost of sales	(1,437)	(1,319)
Gross profit	**3,338**	**3,189**
Operating expenses	(2,094)	(2,026)
Depreciation and amortisation	(966)	(811)
Other operating income (expenses), net	(65)	(2)
Share of net profit in Guatemala and Honduras operations	151	167
Operating profit	**364**	**517**
Net financial expense	(335)	(320)
Other non-operating income (expenses), net	(578)	247
Revaluation of previously held interest	–	2,250
Income from joint ventures and associates, net	100	55
Profit (loss) before taxes	**(449)**	**2,749**
Charge for taxes, net	(163)	(149)
Profit (loss) for the year from discontinued operations, net `of tax	–	21
Profit (loss) for the year	**(612)**	**2,621**
Non-controlling interests	53	22
Net profit (loss) for the year attributable to the owners of Millicom	**(559)**	**2,643**
Total Assets	10,363	10,850
Total Liabilities	6,672	8,033
Net Assets	**3,691**	**2,817**
Net cash from operating activities	951	924
Net cash from (used in) investing activities	(406)	590
Net cash from (used in) financing activities	(285)	(1,746)
Exchange impact on cash and cash equivalents, net	(82)	(31)
Net increase (decrease) in cash and cash equivalents	**178**	**(263)**

A/ The Millicom Group (continued)

The assets and liabilities of the Guatemala and Honduras operations which have been deconsolidated on 31 December 2015 are as follows:

Summary statements of financial position of Guatemala and Honduras operations before deconsolidation on 31 December 2015 (US$ millions)	2015	
	Guatemala	Honduras
Assets		
Intangible assets, net (excluding goodwill)	1,255	200
Property, plant and equipment, net	710	320
Other non-current assets	2	1
Deferred taxes	4	–
Inventories	22	10
Trade receivables	58	35
Prepayments	37	7
Amounts due from related parties	639	351
Supplier advances	31	1
Other current assets	22	8
Restricted cash	4	–
Cash and cash equivalents	155	13
Total assets	**2,939**	**946**
Liabilities		
Debt and financing	(984)	(391)
Deferred tax liabilities	(2)	(60)
Other non-current liabilities	(25)	(10)
Payables and accruals for capital expenditure	(66)	(23)
Other trade payables	(40)	(10)
Amounts due to related parties	(20)	(11)
Other current provisions and liabilities	(150)	(119)
Total liabilities	**(1,287)**	**(624)**
Net assets	**1,652**	**322**

A.2.3. African Internet Holding

The summary of statement of financial position and income statement of AIH were as follows:

Summary of statement of financial position of AIH at 31 December (US$ millions)	2015(i)	2014
Total current assets	–	82
Total non-current assets	–	7
Total assets	–	**89**
Total current liabilities	–	39
Total non-current liabilities	–	1
Total liabilities	–	**40**
Total net assets	–	**49**
Millicom's carrying value of its investment in AIH	–	89

Share of net profit (loss) from AIH (US$ millions)	2015(i)	2014
Revenue	–	47
Operating expenses	–	(97)
Operating profit (loss)	–	(50)
Net profit (loss) for the year/investment period	–	**(50)**
Millicom's share of results from AIH	–	(16)

A/ The Millicom Group (continued)

(i) During 2015, Millicom ceased to jointly control AIH following changes in shareholder rights. Hence AIH has been considered as an investments in an associate as of 31 December 2015 as further detailed in note A.3.

A.2.3. Emtel Mauritius

Disposal of interest in Emtel Limited Mauritius

On 15 July 2014 Millicom reached agreement to sell its 50% investment in Emtel Limited Mauritius to its partner in Mauritius. Prior to the sale the carrying value of Millicom's investment in Emtel Limited Mauritius was $29 million.

As a result of these dilutions and disposals, including the disposal of ATC B.V (see note A.3.2.), Millicom received $175 million in cash and recorded a gain on sale of $73 million under "Income (loss) from joint ventures and associates, net".

A.3. Investments in associates

Millicom's investments in associates mainly represent its shareholding in Helios Towers Africa Ltd (HTA) and its investments in the African and Latin American online businesses (AIH and LIH). Millicom has significant influence over these companies but not control or joint control.

Our main associates are as follows:

Entity	Country	Activity(ies)	31 December 2015 % Holding	31 December 2014 % Holding
Africa				
Helios Towers Tanzania(i)	Tanzania	Tower infrastructure rental	–	24.5
Helios Towers DRC(i)	DRC	Tower infrastructure rental	–	40.0
Helios Towers Ghana(i)	Ghana	Tower infrastructure rental	–	40.0
Helios Towers Africa Ltd (HTA)(i)	Mauritius	Holding of Tower infrastructure company	28.25	–
Africa Internet Holding GmbH (AIH)(ii)	Germany	Online marketplace, retail and services	33.33	–
Latin America				
Latam Internet Holding (LIH)	Germany	Online marketplace, retail and services	35.0	35.0
Unallocated				
Milvik AB	Sweden	Other	26.75	27.02

(i) On 7 October 2015, Millicom and HTA signed an agreement whereby Millicom owns 28.25% of shares in HTA (24.4% on a fully diluted basis) following a shareholding exchange. As a result, shares held by Millicom in HTA's tower companies in Ghana, DRC and Tanzania have been exchanged for shares in HTA (see note A.3.2.).

(ii) During 2015, Millicom ceased to jointly control AIH following changes in AIH shareholder rights. Hence AIH has been considered as an investment in associate as of 31 December 2015.

A/ The Millicom Group (continued)

At 31 December 2015 the carrying value of Millicom's main associates was as follows:

Carrying value of investments in associates at 31 December (US$ millions)	2015	2014
Latam Internet Holding (LIH)	99	134
African Internet Holding GmbH (AIH)	36	–
Helios Tower Companies (DRC, Tanzania and Ghana)	–	46
Helios Tower Africa Ltd (HTA)	215	–
Milvik AB	12	5
Other	1	–
Total	**363**	**185**

The summarised financial information for the Group's main material associates is provided below.

Summary of statement of financial position of associates at 31 December (US$ millions)	2015	2014
Total current assets	400	198
Total non-current assets	1,427	448
Total assets	**1,827**	**646**
Total current liabilities	252	126
Total non-current liabilities	530	332
Total liabilities	**782**	**458**
Total net assets	**1,045**	**188**
Millicom's carrying value of its investment in associates	**363**	**185**

Share of net profit (loss) from associates (US$ millions)	2015	2014
Revenue	237	320
Operating expenses	(420)	(343)
Operating profit (loss)	(183)	(23)
Net profit (loss) for the year/investment period	**(143)**	**(143)**
Millicom's share of results from associates	(47)	(34)

A.3.1. Accounting for Investments in Associates

The Group accounts for associates in the same way as it accounts for joint ventures.

A.3.2. Acquisitions and disposals of interests in associates

Africa Internet Holding GmbH (AIH)

AIH indirectly owns a number of companies that provide online services and online marketplaces in certain countries in Africa. These companies are subsidiaries of Africa e-Commerce Holding ("AEH"), which is held by AIH. AIH is jointly owned by Millicom, Mobile Telephone Networks Holdings (Pty) Limited ("MTN"), and Rocket with each holding 33.33% interests and voting rights.

Changes in ownership and accounting for AIH

Millicom's initial investment in AIH on 1 September 2012 was 20% and, as at that date Millicom had unconditional options to acquire the remaining shares in three steps from Rocket Internet GmbH ("Rocket"), AIH was fully consolidated from that date. At that time Millicom had no

A/ The Millicom Group (continued)

control over AEH which was accounted for as an investment in an associate. On 1 April 2013 AIH reached an agreement with a minority shareholder and gained control of AEH. AEH was consolidated by Millicom from that date.

On 13 December 2013 Millicom, Rocket and MTN signed an agreement whereby MTN would invest in AIH such that each of the three parties would own a 33.33% interest and together jointly control AIH, subject to anti-trust and requisite clearances.

Under this agreement Millicom's options to acquire the remaining shares in AIH ended and Millicom deconsolidated AIH at the end of 2013 and accounted for AIH as an investment in an associate. By 25 June 2014 the requisite clearances had been obtained and Millicom's stake increased from 20% to 33% for which it paid Euro 35 million in 2014 and 2015. Millicom accounted for AIH as a joint venture from that date. MTN acquired its 33.3% stake by cash investment in new shares at a price equivalent to 20% more than the price paid Millicom.

A new funding round was signed late December 2015, in which Millicom did not participate but kept total amount invested at Euro 70 million. As a result of this transaction, the shareholding of Millicom in AIH will reduce from 33% to 14%. This will trigger the recognition of a dilution gain in the income statement at the time the commitments are paid, the new shares are issued and the transactions are approved by the relevant regulatory bodies.

Additionally, following changes in AIH governance which took place in 2015 and as foreseen in the shareholders' agreement, Millicom lost its joint control but retains a significant influence over AIH – Millicom keeps one Board representative who will continue to participate in the decision making process of AIH. Therefore, at 31 December 2015, the investment in AIH is accounted for as an associate using the equity method of accounting.

Millicom investment in African towers company, Helios Towers Africa

On 7 October 2015, Millicom and Helios Towers Africa ("HTA") signed an agreement whereby Millicom owns 28% of shares in HTA (24% on a fully diluted basis) following a shareholding exchange.

Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains significant influence over HTA.

This transaction simplified the share ownership structure of HTA, aligned interest among shareholders and moved Millicom's shareholding to the parent company of HTA. The exchange of shares, which has commercial substance in accordance with IAS 28 and IAS 16, has resulted in the Group recognising its investment in HTA at fair value and hence a gain on disposal of its investments in the different tower companies of $147 million under "Income (loss) from joint ventures and associates, net".

Control over MKC Brilliant Services GmbH ("LIH") ended on 21 January 2014

In September 2012 Millicom acquired a 20% interest in MKC Brilliant Services GmbH ("Latin America Internet Holding" or "LIH") and unconditional options to acquire the remaining shares in three steps, from Rocket Internet GmbH ("Rocket"). LIH was consolidated from that date.

On 20 January 2014 Millicom amended its investment agreement with Rocket regarding its call options. The amendment restricted Millicom's ability to exercise its third call option (to acquire the final 50% of LIH) to no earlier than one year after exercising its second option to raise its

A/ The Millicom Group (continued)

stake from 35% to 50%. Accordingly, from 20 January 2014 Millicom no longer had the ability to exercise its options to acquire a controlling stake in LIH, and deconsolidated LIH. Millicom's investment was accounted for as an investment in an associate at fair value of $70 million at that date, and a $15 million gain from discontinued operations was recognised as a result of the loss of control.

In February 2014 Millicom exercised its first option raising its stake from 20% to 35% with the purchase price of Euro 50 million paid during the year. On 17 September 2014 the investment and shareholder agreements were further amended whereby Millicom's options to increase its shareholding from 35% to 50%, and to acquire the remaining 50% of LIH have been cancelled. As a result, as of 31 December 2014 and 2015, Millicom owns 35% of LIH.

During 2015, LIH contributed its investments in its operating subsidiaries Kanui and Tricae to Global Fashion Group in a share for share transaction, recognizing a net gain of $11 million (Millicom's share). Global Fashion Group is partly owned by Rocket Internet and Kinnevik. LIH's shareholding in Global Fashion Group was determined from the relative value of Kanui and Tricae and the post-merger value of Global Fashion Group.

During March 2015, LIH disposed of its interest in HelloFood and LIH declared a Euro 8 million dividend to Millicom, which had been received by 31 December 2015.

Sale of ATC BV

During 2014 Millicom's stake in ATC BV was diluted from 40% to 18.2% and in July 2014 Millicom sold its 18.2% stake to American Tower. Prior to the sale the carrying value of Millicom's investment in ATC BV was $73 million. As a result of these dilutions and disposals, including the disposal of Emtel (see note A.2.3.), Millicom received $175 million in cash and recorded a gain on sale of $73 million under "Income (loss) from joint ventures and associates, net".

A.4. Discontinued operations

A.4.1. Classification of Discontinued Operations

Discontinued operations are those which have identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic area which has been disposed of, or are held for sale. Revenue and expenses associated with discontinued operations are presented retrospectively in a separate line in the consolidated income statement. Millicom considers that the loss of path to control of operations by the termination of a contractual arrangement (e.g. termination without exercise of an unconditional call option agreement giving path to control) does not require presentation as a discontinued operation.

A.4.2. Millicom's discontinued operations

During 2014 as a result of an amendment to the shareholders' agreement, Millicom deconsolidated LIH (previously reported in the South America segment) and therefore completed its discontinuation of the online business (after deconsolidation of AIH in December 2013).

A/ The Millicom Group (continued)

Consequently, and following the deconsolidation of AIH in December 2013, the results of these online businesses were classified as discontinued operations.

Results from Discontinued Operations (US$ millions)	2014
Revenue	4
Operating expenses	(6)
Operating losses	**(2)**
Loss from associate (AEH)	–
Gain on deconsolidation	23
Net profit (loss) from discontinued operations	**21**

Cash Flows from Discontinued Operations (US$ millions)	2014
Cash used in operating activities, net	(2)
Cash used in investing activities, net	–
Cash provided by financing activities, net	–

B/ Performance

B.1. Revenue

Millicom's revenue comprises sale of services from its mobile, cable & digital media, and mobile financial services businesses, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by business unit (US$ millions)	2015	2014
Mobile	4,388	4,743
Cable & Digital Media	1,592	970
Mobile Financial Services	125	113
Telephone and equipment and other	625	560
Total	**6,730**	**6,386**

Revenue from continuing operations by country or operation (US$ millions)	2015	2014
Colombia(i)	1,982	1,671
Guatemala	1,306	1,247
Paraguay	673	767
Honduras	649	631
Bolivia	531	488
El Salvador	448	443
Tanzania	358	368
Chad	152	180
Costa Rica	151	138
Ghana	135	146
Other countries(ii)	345	307
Total	**6,730**	**6,386**

(i) In 2014 includes UNE only for the period from 14 August 2014 to 31 December 2014.

(ii) Including Zantel from 22 October 2015 to 31 December 2015.

B/ Performance (continued)

B.1.1. Accounting for Revenue

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of good and services, net of value added tax, rebates and discounts and after eliminating intra-group sales. Generally this is the value of the invoice to the customer.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Generally this occurs when the service has been provided to the customer, or when the related equipment is delivered or passed to the customer.

Recurring revenue is recognised on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime and data usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription product and service revenue is deferred and recognised over subscription period. Related costs are deferred and recognised over the same period.

Where customers purchase a specified amount of airtime or other credit in advance, revenue is recognised as the credit is used. Unused credit is carried in the statement of financial position as deferred revenue within "other current liabilities".

Revenue from the sale of handsets and accessories are recognised when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Bundled offers such as various services sold together, are divided into separate units of accounting if the products and services in the bundle meet certain criteria. The price paid by the customer is then allocated among the separate products and services based on their relative fair values or using the residual method. Revenue is then recognised separately for each product and service.

Revenue from content services such as video messaging, ringtones, games, music, eBooks etc., are recognised net of payments to the content providers under certain conditions. These include whether the providers are responsible for the content, determining the price paid by the customer, and where the provider assumes the credit risk. For such services the Group is considered to be acting in substance as an agent. Other revenue is recognised on a gross basis with any third party costs recognised as cost of sales and services.

Revenue from provision of mobile financial services is recognised once the primary service has been provided to the customer.

Revenue from sale of capacity is recognised when the capacity has been delivered to the customer, based on the amount expected to be received from the customer.

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

B/ Performance (continued)

B.2. Expenses

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales (US$ millions)	2015	2014
Direct costs of services sold	(1,207)	(1,141)
Cost of telephone, equipment and other accessories	(507)	(479)
Bad debt and obsolescence costs	(140)	(74)
Cost of sales	**(1,854)**	**(1,694)**

Operating expenses (US$ millions)	2015	2014
Marketing expenses	(833)	(929)
Network maintenance costs	(358)	(336)
Employee related costs (B.4.)	(654)	(607)
External and other services	(346)	(301)
Rentals and operating leases	(193)	(180)
Other operating expenses	(318)	(248)
Other operating income	4	2
Operating expenses, net	**(2,698)**	**(2,599)**

B.2.1. Accounting for cost of sales and operating expenses

Cost of Sales

Cost of sales is recorded on an accrual basis.

Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to marketing expenses when the customer is activated.

Operating leases

Operating leases are all leases that do not qualify as finance leases. Operating lease payments are recognised as expenses in the consolidated income statement on a straight-line basis over the lease term.

B.3. Segmental information

Management determines operating and reportable segments based on the reports that are used by the Chief Operating Decision Maker ("CODM") to make strategic and operational decisions from both a business and geographic perspective. The Group's risks and rates of return for its operations are predominantly affected by operating in different geographical regions. The Group has businesses in three regions: Central America, South America and Africa. In 2015, the Group has reviewed the presentation of the segment information and introduced EBITDA in it as it represents a key performance indicator reviewed by the CODM.

B/ Performance (continued)

The deconsolidation of Honduras and Guatemala (note A.2.2.) did not impact our internal reporting for management purposes and therefore has not changed our segmental reporting.

Year ended 31 December 2015 (US$ millions)	Central America	South America	Latin America	Africa	Unallo-cated	Continuing Operations	Eliminations	Total
Revenue	**2,555**	**3,185**	**5,740**	**987**	**3**	**6,730**	**–**	**6,730**
Operating profit (loss)	**691**	**418**	**1,109**	**(113)**	**(205)**	**791**	**–**	**791**
Add back:								
Depreciation and amortization	463	624	**1,087**	230	4	1,321	–	1,321
Other operating income (expenses), net	2	5	**7**	56	3	66	–	66
EBITDA*(i)*	**1,156**	**1,047**	**2,203**	**173**	**(198)**	**2,178**	**–**	**2,178**
Capital expenditure*(iv)*	(364)	(633)	**(997)**	(207)	8	(1,196)	–	(1,196)
Changes in working capital and others	113	(95)	**18**	(14)	77	81		
Taxes paid	(155)	(75)	**(230)**	(16)	(6)	(252)		
Operating free cash flow*(ii)*	**750**	**244**	**994**	**(64)**	**(119)**	**811**		
Total Assets*(iii)*	**6,680**	**3,886**	**10,566**	**1,979**	**2,044**	**14,589**	**(4,226)**	**10,363**
Total Liabilities	**2,307**	**2,821**	**5,128**	**2,279**	**2,769**	**10,176**	**(3,504)**	**6,672**

Year ended 31 December 2014 (US$ millions)(vi)	Central America	South America	Latin America	Africa	Unallo-cated	Continuing Operations	Disc Ops*(v)*	Eliminations	Total
Revenue	**2,460**	**2,926**	**5,386**	**1,000**	**–**	**6,386**	**4**	**–**	**6,390**
Operating profit (loss)	**687**	**529**	**1,216**	**(32)**	**(260)**	**924**	**(3)**	**–**	**921**
Add back:									
Depreciation and amortization	450	446	**896**	257	5	1,158	–	–	1,158
Other operating income (expenses), net	16	4	**20**	(6)	(3)	11	–	–	11
EBITDA*(i)*	**1,153**	**979**	**2,132**	**219**	**(258)**	**2,093**	**(3)**	**–**	**2,090**
Capital expenditure*(iv)*	(432)	(502)	**(934)**	(333)	(25)	(1,292)	–	–	(1,292)
Changes in working capital and others	65	–	**65**	107	(93)	79			
Taxes paid	(188)	(107)	**(295)**	(25)	(60)	(380)			
Operating free cash flow*(ii)*	**598**	**370**	**968**	**(32)**	**(436)**	**500**			
Total Assets*(iii)*	**7,284**	**4,632**	**11,916**	**1,638**	**1,497**	**15,051**	**–**	**(1,633)**	**13,418**
Total Liabilities	**2,366**	**2,918**	**5,284**	**2,034**	**4,117**	**11,435**	**–**	**(1,747)**	**9,688**

(i) EBITDA is used by the management to monitor the segmental performance and for capital management.

(ii) Operating free cash flow by segment includes share-based compensation as a cash transaction.

(iii) Segment assets include goodwill and other intangible assets.

(iv) Including spectrum and licenses of $47 million (2014; $88 million).

(v) Discontinued operations represent LIH.

(vi) Represented to align it with 2015 presentation.

B/ Performance (continued)

B.4. People

Average number of permanent employees	2015	2014
Continuing operations (including Guatemala, Honduras and UNE – excluding Zantel)	15,956	12,206
Discontinued operations	–	2,815
Total	**15,956**	**15,021**

(US$ millions)	Note	2015	2014
Wages and salaries		(475)	(438)
Social security		(69)	(56)
Share based compensation	B.4.1.	(19)	(22)
Pension and other long-term benefit costs	B.4.3.	(20)	(12)
Other employee related costs		(71)	(79)
Total		**(654)**	**(607)**

B.4.1. Share based compensation

Millicom shares granted to management and key employee compensation includes share based compensation in the form of long-term share incentive plans. Since 2015, Millicom has four types of plans, a deferred share plan, a performance share plan, an executive share plan and the sign-on CEO share plan (which is a one-off plan). Up until this year, Millicom had two types of plan, a future performance plan and a deferred share plan. The different plans are further detailed below.

Cost of share based compensation (US$ millions)	2015	2014
2012 incentive plans	–	(4)
2013 incentive plans	2	(7)
2014 incentive plans	(6)	(11)
2015 incentive plans	(15)	–
Total share based compensation	**(19)**	**(22)**

Deferred Share Plan (unchanged from 2014)

For the deferred awards plan, participants are granted shares based on past performance, with 16.5% of the shares vesting on 1 January of each of year 1 and 2, and the remaining 67% on 1 January of year 3. Vesting is conditional upon the participant remaining employed with Millicom at each vesting date. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated as follows:

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

Future Performance Share plan (replaced by the Performance Share Plan as from 2015)

For the future performance plan, participants earn the right to receive shares on the third anniversary of the grant date. The right and the number of shares that vest are conditional 50% based on Return on Capital Investment (ROIC) and 50% based on EPS and upon the participant remaining employed with Millicom at the vesting date. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above.

B/ Performance (continued)

Sign-on CEO Share Plan (new – one off)

As part of his employment contract Millicom CEO (from 1 April 2015) received a sign-on grant of 77,394 shares. Vesting is conditional, among other conditions, on the CEO not being dismissed for cause. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above. The expense for this plan has been taken in full during 2015.

Performance Share Plan (new 2015)

Under this plan, shares granted will vest at the end of the three year period, subject to performance conditions, 62.5% based on Absolute Total Shareholder Return ("TSR") and 37.5% based on actual vs budgeted EBITDA – CAPEX- Change in Working Capital ("Free Cash Flow"). As the TSR measure is a market condition, the fair value of the shares in the performance share plan requires adjustment for future market based conditions.

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

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

Executive Share Plan (new2015)

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

Similarly to the Performance Share Plan, a specific valuation has been performed based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions. The FCF condition being a non-market measure, it has been considered together with the leaving estimate and based initially on a 100% fulfilment expectation. Therefore the reference share price is the share price on the date that the CEO and the CFO agreed to the Executive Share Plan.

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

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 2015	(0.32)%	2.78%	23%	2.57	32.87
Executive Share Plan 2015 – Component A . . .	(0.32)%	N/A	23%	2.57	53.74
Executive Share Plan 2015 – Component B	(0.32)%	N/A	23%	2.57	29.53

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

B/ Performance (continued)

The cost of the long-term incentive plans which are conditional on market conditions is calculated as follows:

Fair value (market value) of shares on grant date (as calculated above) x number of shares expected to vest.

The cost of these plans is recognised, together with a corresponding increase in equity (share compensation reserve), over the period in which the performance and/or employment conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. Adjustments are made to the expense recorded for forfeitures, mainly due to management and employees leaving Millicom.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. These are treated as vested regardless of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised 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.

Plan awards and shares expected to vest (number of shares)	2015 Plans				2014 Plans		2013 Plans		2012 Plans	
	Performance Plan	Executive Plan	CEO Plan	Deferred Plan	Future Plan	Deferred Plan	Future Plan	Deferred Plan	Future Plan	Deferred Plan
Initial shares granted	98,137	40,664	77,394	237,620	164,015	219,767	173,586	208,979	105,284	161,798
Additional shares granted*(i)*	–	–	–	–	–	–	13,453	4,165	3,763	5,995
Total shares granted	**98,137**	**40,664**	**77,394**	**237,620**	**164,015**	**219,767**	**187,039**	**213,144**	**109,047**	**167,793**
Revision for forfeitures	(18,386)	–	–	(16,294)	(115,464)	(63,445)	(151,967)	(76,085)	(69,062)	(54,645)
Total before issuances	**79,751**	**40,664**	**77,394**	**221,326**	**48,551**	**156,322**	**35,072**	**137,059**	**39,985**	**113,148**
Shares issued in 2013	–	–	–	–	–	–	–	–	–	(23,893)
Shares issued in 2014	–	–	–	–	–	–	–	(31,977)	–	(19,947)
Shares issued in 2015	–	–	–	–	–	(32,555)	–	(25,889)	(39,985)	(66,444)
Performance conditions	–	–	–	–	–	–	–	–	–	–
Shares expected to vest	**79,751**	**40,664**	**77,394**	**221,326**	**48,551**	**125,074**	**35,072**	**79,193**	n/a	n/a
Estimated cost over the vesting period (US$ millions)	**4**	**2**	**6**	**15**	**5**	**16**	**3**	**13**	n/a	n/a

(i) Additional shares granted include new joiners and consideration for the impact of special dividends paid in 2012.

B.4.2. Share options

Prior to 2006, Millicom granted options to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or

B/ Performance (continued)

director completing one to five years of service (the vesting period) and were exercisable starting from one year to five years from the grant date. Shares issued from exercise of share options have the same rights as common shares.

By 31 December 2015 all share options had been exercised. The cost of share options was recorded in the exercise periods (until and prior to 2011).

	2015		2014	
Movements in Share Options	**Average exercise price in US$ per share**	**Number of options**	**Average exercise price in US$ per share**	**Number of options**
Outstanding at beginning of the year	22.55	45,000	22.55	45,000
Expired or forfeited	–	–	–	–
Exercised		(45,000)	–	–
Outstanding and exercisable at end of year	**–**	**–**	**22.55**	**45,000**

B.4.3. Pension and other long term employee benefit plans

Pension Plans

The pension plans apply to employees who meet certain criteria (including years of service, age and participation in collective agreements).

Pension and other similar employee related obligations can result from either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity No further payment obligations exist once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as assets to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on maturities of the related pension liability.

Re-measurement of net defined benefit liabilities are recognised in other comprehensive income and not reclassified to the income statement in subsequent years.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability

B/ Performance (continued)

Long-service plans

Long-service plans apply to employees with more than five years of service whereby additional bonuses are paid to employees that reach each incremental length of service milestone (from five to 40 years).

Termination plans

The Group's Colombian subsidiary UNE has a number of employee defined benefit plans. The level of benefits provided under the plans depends on collective employment agreements and Colombian labour regulations. There are no defined assets related to the plans, and UNE make payments to settle obligations under the plans out of available cash balances.

At 31 December 2015, the defined benefit obligation liability amounted to $37 million (2014: $53 million and payments expected in the plans in future years totals $92 million (2014: $104 million). The average duration of the defined benefit obligation at 31 December 2015 is 8 years (2014: 8 years).The termination plans apply to employees that joined UNE prior to 30 December 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

Except UNE pension plan described above, there are no other significant defined benefits plans in the Group.

B.4.4. Directors' and executive management

The remuneration of the members of the Board of Directors comprises an annual fee and shares. Director remuneration is proposed by the Nomination Committee and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

Remuneration charge for the Board (net of withholding tax) (US$ thousands)	2015	2014
Chairperson	180	215
Other members of the Board*(i)*	878	983
Total(ii)	**1,058**	**1,198**

(i) In addition, EUR 57,000 was paid to 3 directors for their work on the special committee.

(ii) Cash compensation converted from SEK to USD at exchange rates on payments dates each year. Share based compensation based on the market value of Millicom shares on the 2015 AGM date (in total 5,883 shares). Net remuneration comprised 38% in shares and 62% in cash (SEK) (2014: 56% in shares and 44% in cash).

Shares beneficially owned by the Directors (# of shares)	2015	2014
Chairperson	80,645	35,658
Other members of the Board	17,013	16,411
Total	**97,658**	**52,069**

The remuneration of executive management of Millicom comprises an annual base salary, an annual bonus, share based compensation, social security contributions, pension contributions and other benefits. Bonus and share based compensation plans (see note B.4.1.) are based on actual and future performance. Share based compensation is granted once a year by the Compensation Committee of the Board.

B/ Performance (continued)

If the employment of Millicom's senior executives is terminated, severance of up to 12 months' salary is potentially payable.

The annual base salary and other benefits of the Chief Executive Officer ("CEO") and the Executive Vice Presidents ("Executive Team") is proposed by the Compensation Committee and approved by the Board.

Remuneration charge for the Executive Team (US$ thousands)	CEO	Former CEO	CFO	Executive Team (10 members)
2015				
Base salary	750	304	989	3,721
Bonus	1,006	–	1,206	1,870
Pension	113	–	95	671
Other benefits	11	–	14	1,085
Termination benefits	–	2,854	–	682
Total before share based compensation	**1,880**	**3,158**	**2,304**	**8,029**
Share based compensation*(i)(ii) in respect of 2015 LTIP*	7,501	–	1,051	3,823
Total	**9,381**	**3,158**	**3,355**	**11,852**

Remuneration charge for the Executive Team (US$ thousands)	Former CEO	CFO	Executive Team (7 members)
2014			
Base salary	2,344	420	4,111
Bonus	–	528	2,535
Pension	586	65	490
Other benefits	752	76	1,716
Termination benefits	–	–	1,409
Total before share based compensation	**3,682**	**1,089**	**10,262**
Share based compensation*(i)(ii) in respect of 2014 LTIP*	–	–	3,927
Total	**3,682**	**1,089**	**14,189**

(i) See note B.4.1.

(ii) Share awards of 104,008 and 64,930 were granted in 2015 under the 2015 LTIPs to the CEO, and Executive Team. Share awards of 54,684 were granted in 2014 under the 2014 LTIPs to the Executive Team. Share awards of 62,437 were granted in 2014 to the former CEO. These share awards have been forfeited during the year

Shares and unvested share awards beneficially owned by the Executive Team (number of shares)	CEO	Executive Team	Total
2015			
Shares	–	11,714	11,714
Share awards not vested	104,008	82,823	186,831
2014			
Shares	n/a	23,689	23,689
Share awards not vested	n/a	103,669	103,669

B/ Performance (continued)

B.5. Other non-operating (expenses) income, net

Non-operating items mainly comprise changes in values of options, derivatives and the impact of foreign exchange fluctuations on results of the Group.

US$ millions	Year ended 31 December 2015	Year ended 31 December 2014
Change in carrying value / lapse of put options (see note C.6.3.)	125	307
Change in carrying value / lapse of call options (see note C.6.3.)	(71)	46
Change in fair value of derivatives (see note D.1.2)	32	21
Exchange losses, net	(304)	(175)
Loss on deconsolidation of Honduras and Guatemala, including recycling of foreign currency exchange losses accumulated in equity (see note A.2.2.)	(391)	–
Other non-operating income (expenses), net	(15)	12
Total	**(624)**	**211**

Foreign exchange gains and losses

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 recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

B/ Performance (continued)

B.6. Taxation

B.6.1. Income tax expense

Tax mainly comprises income taxes of subsidiaries and withholding taxes on intragroup dividends and royalties for use of Millicom trademarks and brands. Millicom operations are in jurisdictions with income tax rates of 10% to 40% levied on either revenue or profit before income tax (2014: 10% to 40%). Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement.

Income tax charge (US$ millions)	2015	2014
Income tax (charge) credit		
Withholding tax	(76)	(79)
Other income tax relating to the current year	(216)	(213)
	(292)	**(292)**
Adjustments in respect of prior years	8	–
	(284)	**(292)**
Deferred tax (charge) credit		
Origination and reversal of temporary differences	111	123
Effect of change in tax rates	(14)	–
	97	**123**
(Increase) decrease in unrecognised deferred tax assets	(93)	(87)
	4	**36**
Adjustments in respect of prior years	(11)	–
	(7)	**36**
Tax (charge) credit on continuing operations	(291)	(256)
Tax (charge) credit on discontinuing operations	–	–
Total tax (charge) credit	**(291)**	**(256)**

B/ Performance (continued)

Reconciliation between the tax expense and tax at the weighted average statutory tax rate is as follows:

Income tax calculation (US$ millions)	2015 Continuing Operations	2015 Discont'd Operations	2015 Total	2014 Continuing Operations	2014 Discont'd Operations	2014 Total
Profit before tax	**(153)**	**–**	**(153)**	**3,036**	**21**	**3,057**
Tax at the weighted average statutory rate	86		86	(822)	(6)	**(828)**
Effect of:		–				
Items taxed at a different rate	21	–	21	10	–	**10**
Change in tax rates on deferred tax balances	(15)		(15)	–	–	**–**
Expenditure not deductible and income not taxable	(241)		(241)	761	6	**767**
Unrelieved withholding tax	(76)	–	(76)	(79)	–	**(79)**
Accounting for associates and joint ventures	23		23	–	–	**–**
Movement in deferred tax on unremitted earnings	7		7	(1)	–	**(1)**
Unrecognised deferred tax assets	(127)	–	(127)	(125)	–	**(125)**
Recognition of previously unrecognised deferred tax assets	34		34	–	–	**–**
Adjustments in respect of prior years	(3)	–	(3)			
Total tax (charge) credit	**(291)**	**–**	**(291)**	**(256)**	**–**	**(256)**
Weighted average statutory tax rate	56.2%	–	56.2%	27.1%	–	27.1%
Effective tax rate	(190.2%)	–	(190.2%)	8.4%		8.4%

B.6.2. Current tax assets and liabilities

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 by the statement of financial position date.

B.6.3. Deferred tax

Deferred tax is calculated using the liability method on 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 recognised 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.

B/ Performance (continued)

Deferred tax assets are recognised for all temporary differences including unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 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 them. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent it is probable that future taxable profit will enable the asset to be recovered.

Deferred 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. 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.

Deferred tax (US$ millions)(i)	Fixed Assets	Unused tax losses	Unremitted earnings	Other	Offset	Total
Balance at 1 January 2014	**(127)**	**198**	**(28)**	**86**	**–**	**129**
Acquisitions	(7)	–	–	(1)		**(8)**
Disposals	–	–	–	–		**–**
Transfers to Assets Held for Sale	–	–	–	–		**–**
(Charge)/credit to income statement	29	(45)	5	47		**36**
(Charge)/credit to other comprehensive income	–	–	–	–		**–**
Exchange differences	(35)	–	–	(12)		**(47)**
	(140)	**153**	**(23)**	**120**		**110**
Deferred tax assets	–	153	–	120	21	**294**
Deferred tax liabilities	(140)	–	(23)	–	(21)	**(184)**
Balance at 31 December 2014	**(140)**	**153**	**(23)**	**120**		**110**
Acquisitions	–	–	–	–		**–**
Effect of deconsolidation	55	–	–	2		**57**
Adjustments to goodwill	–	–	–	–		**–**
Transfers to Assets Held for Sale	–	–	–	–		**–**
(Charge)/credit to income statement	38	(45)	6	(6)		**(7)**
(Charge)/credit to other comprehensive income	–	–	–	–		**–**
Exchange differences	22	(21)	1	(24)		**(22)**
	(25)	**87**	**(16)**	**92**		**138**
Deferred tax assets	81	87	–	108	(88)	**188**
Deferred tax liabilities	(106)	–	(16)	(16)	88	**(50)**
Balance at 31 December 2015	**(25)**	**87**	**(16)**	**92**	**–**	**138**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

The Group historically recognised a deferred tax asset of $70 million on the tax losses of the Company. Based on re-assessment made during Q4 2015, management concluded that the deferred tax asset can no longer be supported and it has been reversed during Q4. There is no cash tax impact and this treatment does not impact the availability of the tax losses in the future.

B/ Performance (continued)

Deferred tax assets have not been recognised in respect of the following deductible temporary differences:

Unrecognised deferred tax assets (US$ millions)	Fixed Assets	Unused tax losses	Other	Total
At 31 December 2015	77	2,709	60	**2,846**
At 31 December 2014	–	2,333	–	**2,333**

Unrecognised loss carryforwards expire as follows:

Unrecognised tax losses related to continuing operations (US$ millions)	2015	2014
Expiry:		
Within one year	152	–
Within one to five years	282	203
No expiry	2,275	2,130
Total	**2,709**	**2,333**

At 31 December 2015, Millicom had $921 million of unremitted earnings of Millicom operating subsidiaries for which no deferred tax liabilities were recognised (2014: $1,254 million).

B.7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

Net profit/(loss) used in the earnings per share computation (US$ millions)	2015	2014
Basic and Diluted:		
Net profit/(loss) attributable to equity holders from continuing operations	(559)	2,622
Net profit/(loss) attributable to equity holders from discontinued operations	–	21
Net profit/(loss) attributable to all equity holders to determine the basic earnings per share	**(559)**	**2,643**

Weighted average number of shares in the earnings per share computation (thousands of shares)	2015	2014
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	100,144	99,983
Potential incremental shares as a result of share options	10	34
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**100,154**	**100,017**

C/ Capital structure and financing

C.1. Share capital, share premium and reserves

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

C/ Capital structure and financing (continued)

Where any Group company purchases the Company's share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Share capital, share premium	2015	2014
Authorized and registered share capital (number of shares)	133,333,200	133,333,200
Subscribed and fully paid up share capital (number of shares)	101,739,217	101,739,217
Par value per share	$1.50	$1.50
Share capital ($ millions)	153	153
Share premium ($ millions)	486	486
Total ($ millions)	**639**	**639**

Put Option Reserve	Note	2015	2014
Honduras put option	C.6.3.	–	(737)
Guatemala put option	C.6.3.	–	(1,775)
Total		**–**	**(2,512)**

Other Equity Reserves (US$ millions)(i)	Legal reserve	Equity settled transaction reserve	Hedge reserve	Currency translation reserve	Pension obligation reserve	Total
As of 31 December 2013	**16**	**37**	**1**	**(239)**	**–**	**(185)**
Share based compensation	–	22	–	–	–	22
Issuance of shares – 2011, 2012, 2013 LTIPs	–	(15)	–	–	–	(15)
Remeasurements of post-employment benefit obligations	–	–	–	–	1	1
Cash flow hedge reserve movement	–	–	1	–	–	1
Currency translation movement	–	–	–	(213)	–	(213)
Completion of UNE purchase price accounting				(1)		(1)
As of 31 December 2014	**16**	**44**	**2**	**(453)**	**1**	**(389)**
Share based compensation	–	19	–	–	–	19
Issuance of shares – 2012, 2013, 2014 LTIPs	–	(18)	–	–	–	(18)
Remeasurements of post-employment benefit obligations	–	–	–	–	–	–
Cash flow hedge reserve movement	–	–	(3)	–	–	(3)
Effect of deconsolidation (see note A.2.2.)	–	–	–	192	–	192
Currency translation movement	–	–	–	(332)	–	(332)
As of 31 December 2015	**16**	**46**	**(1)**	**(593)**	**1**	**(531)**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

C/ Capital structure and financing (continued)

C.1.1. Legal reserve

If Millicom International Cellular S.A. reports an annual net profit on a non-consolidated basis, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution. No appropriation was required in 2014 or 2015 as the 10% minimum level was reached in 2011 and maintained each subsequent year.

C.1.2. Equity settled transaction reserve

The cost of share options and LTIPs is recognised as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When the options are exercised their cost is transferred from the equity-settled transaction reserve to share capital and share premium. When shares under the LTIPs vest and are issued the corresponding reserve is transferred to share premium.

C.1.3. Hedge reserve

The effective portions of changes in value of cash flow hedges are recorded in the hedge reserve (see note C.1.).

C.1.4. Currency translation reserve

In the financial statements, the relevant captions in the statements of financial position of subsidiaries without US dollar functional currencies are translated to US dollars using the closing exchange rate. Income statements or income statement captions (included those of joint ventures and associates) are translated to U.S. dollars at monthly average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from these translations.

C.2. Dividend distributions

On 15 May 2015 a dividend distribution of $2.64 per share from Millicom's retained profits at 31 December 2014 was approved by the shareholders at the Annual General Meeting and distributed in June 2015.

On 27 May 2014 a dividend distribution of $2.64 per share from Millicom's retained profits as of 31 December 2013 was approved by the shareholders at the Annual General Meeting and distributed in June 2014.

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations. At 31 December 2015, $437 million (31 December 2014: $444 million) of Millicom's retained profits represent statutory reserves that are unavailable to be distributed to owners of the Company.

C/ Capital structure and financing (continued)

C.3. Debt and financing

Debt and financing by type (US$ millions)	Note	2015	2014
Debt and financing due after more than one year			
Bonds	C.3.1.	2,630	3,253
Banks	C.3.2.	877	1,105
Finance leases	C.3.3.	327	360
Vendor financing		32	–
Total non-current financing		**3,866**	**4,718**
Less: portion payable within one year		(77)	(153)
Total non-current financing due after more than one year		**3,789**	**4,565**
Debt and financing due within one year			
Bonds	C.3.1.	46	74
Banks	C.3.2.	89	125
Finance leases	C.3.3.	9	6
Total current debt and financing		**144**	**205**
Add: portion of non-current debt payable within one year		77	153
Total		**221**	**358**
Total debt and financing		**4,010**	**4,923**

Debt and financing by location (US$ millions)	2015	2014(i)
Millicom International Cellular S.A. (Luxembourg)	2,003	1,539
Colombia	660	942
Paraguay	412	339
Bolivia	253	163
Tanzania	214	105
Rwanda	131	129
Chad	109	71
Ghana	61	50
DRC	40	35
Senegal	17	–
Cable Central America	104	113
El Salvador	6	308
Guatemala(ii)	–	781
Honduras(ii)	–	348
Total debt and financing	**4,010**	**4,923**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(ii) No amounts appear in 2015 for Guatemala and Honduras because of their deconsolidation.

Debt and financings are initially recognised at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method or at fair value. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognised in the consolidated income statement over the period of the borrowing. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

C/ Capital structure and financing (continued)

C.3.1. Bond financing

Bond Financing (US$ millions)	Note	Country	Maturity	Interest rate	2015	2014
SEK Senior Unsecured Variable Rate Notes	(1)	Luxembourg	2017	STIBOR +3.5%*(i)*	207	226
SEK Senior Unsecured Fixed Rate Notes	(1)	Luxembourg	2017	5.125%	27	30
USD 4.75% Senior Notes	(2)	Luxembourg	2020	4.75%	486	492
USD 6% Senior Notes	(3)	Luxembourg	2025	6%	494	–
USD 6.625% Senior Notes	(4)	Luxembourg	2021	6.625%	791	791
USD 6.75% Senior Notes	(5)	Paraguay	2022	6.75%	295	294
USD 6.875% Senior Notes	(6)	Guatemala	2024	6.875%	–	781
USD 8% Senior Notes	(7)	El Salvador	2017	8%	–	304
BOB 4.75% Notes	(8)	Bolivia	2020	4.75%	135	156
BOB 4.05% Notes	(8)	Bolivia	2020	4.05%	15	–
BOB 4.85% Notes	(8)	Bolivia	2023	4.85%	85	–
UNE Bond 1 (tranches A and B)	(9)	Colombia	2020	11.49%	47	126
UNE Bond 2 (tranches A and B)	(9)	Colombia	2016/2023	9.02% – 10.11%	94	127
Total bond financing					**2,676**	**3,327**

(i) STIBOR – Swedish Interbank Offered Rate.

(1) SEK Senior Unsecured Notes

On 30 October 2012 Millicom issued Senior Unsecured Floating Rate Notes of Swedish Krona ('SEK') 1.75 billion and Senior Unsecured Fixed Rate Notes of SEK 0.25 billion. The floating rate notes were issued for 100% of the principal amount and the fixed rate notes for 99.699% of the principal amount and both are repayable in five years. At the same time Millicom entered into various cross currency interest rate swap contracts whereby Millicom will receive SEK and sell USD to hedge against exchange and interest rate fluctuations. The early redemption options are embedded derivatives which have been valued and determined to be closely related to the underlying notes.

MIC S.A. may redeem the SEK Bonds in full at any time prior to the final maturity date, at 100% of the nominal amount plus accrued and unpaid interest plus the applicable premium or, if the redemption is financed at least 80% by way of another issuance of debt instruments, anytime from and including the date falling 60 business days prior to the final maturity date, at 100% of the nominal amount plus accrued and unpaid interest. The applicable premium represents the net present value of all interest due until maturity of the notes.

On 17 March 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities.

(2) USD 4.75% Senior Notes

On 22 May 2013 Millicom issued a $500 million fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations. Withheld costs of issuance of $10 million and paid costs of $9 million are amortized over the 7 year life of the notes (effective interest rate of 5.29%).

In August 2015 Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/ EBITDA.

C/ Capital structure and financing (continued)

(3) USD 6% Senior Notes

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

(4) USD 6.625% Senior Notes

On 16 October 2013 Millicom issued an $800 million bond. The funds were used to finance the Colombian Merger (see note A.1.2.) and released from the escrow account prior to completion of the merger on 14 August 2014 (effective interest rate of 7.17%).

In August 2015 Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/ EBITDA.

(5) USD 6.75% Senior Notes

On 7 December 2012, Telefónica Cellular del Paraguay S.A., Millicom's fully owned subsidiary in Paraguay issued $300 million of notes at 100% of the aggregate principal amount. Distribution and other transaction fees of $7 million reduced the total proceeds from issuance to $293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on 13 June and 13 December. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of Telefónica Celular del Paraguay S.A. and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telefónica Celular del Paraguay S.A. The 6.75% Senior Notes are unguaranteed.

(6) USD 6.875% Senior Notes

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comcel for the purposes of the transaction, issued a bond to refinance existing local and MIC S.A. corporate debt. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. The bond is guaranteed by Comcel and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comcel entered into an $800 million senior unsecured loan with a bank. The proceeds of the bond were used by Intertrust SPV to purchase a 100% participation interest in the loan pursuant to a credit and guarantee.

The loan agreements between Intertrust, the bank and Comcel remove any risk to the bank connected to the loans, and as such the Group has offset its asset against its liability towards the bank from the date of the agreement. Following the deconsolidation of Guatemala as of 31 December 2015, the asset and liability have both been deconsolidated at that date.

(7) USD 8% Senior Notes

On 23 September 2010, Telemóvil Finance Co. Ltd., issued $450 million aggregate principal amount 8% Senior Notes due on 1 October 2017. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and were payable semi-annually in arrears on 1 April and 1 October. The effective interest rate was 8.76%.

The proceeds were loaned to a bank which then financed Telemovil El Salvador until December 2014 when the payable and receivable from the bank were settled. The 8% Senior Notes are

C/ Capital structure and financing (continued)

general unsecured obligations of Telemóvil Finance Co. Ltd and rank equal in right of payment with all future unsecured and unsubordinated obligations of Millicom. The 8% Senior Notes are guaranteed by Telemóvil El Salvador, S.A., Millicom's operating subsidiary in El Salvador.

On 15 April 2014 $139 million of the $450 million bonds issued were repurchased in a tender offer to bond holders, for $150 million which included a premium of $9.5 million over the face value of the bonds. $2.5 million of related unamortized costs were expensed during 2014.

On 18 March 2015 Millicom tendered an offer to early redeem the outstanding $311 million of the $450 million bond issued by Telemovil Finance Co. Ltd in 2010 for $323 million including an early redemption premium of $12 million over the face value of the bonds. The repurchase was completed on 20 April 2015. The early redemption premium of $12 million premium and $4 million of related unamortized costs were expensed in 2015.

(8) BOB Notes

In May 2012, Telecel Bolivia issued BOB 1.36 billion of notes repayable in instalments until 2 April 2020. Distribution and other transaction fees of BOB 5 million reduced the total proceeds from issuance to BOB 1.32 billion ($191 million). The bond has a 4.75% per annum coupon with interest payable semi-annually in arrears in May and November each year. The effective interest rate is 4.79%.

In November 2015, Telecel Bolivia issued Boliviano 696 million (approximately USD 100 million) of notes in two series, A for Boliviano 104.4 million (approximately USD 15 million), with a fixed annual interest rate of 4.05%, maturing in August 2020 and serie B for Boliviano 591.6 million (approximately USD 85 million) with a fixed annual interest rate of 4.85%, maturing in August 2023. The bond has coupon with interest payable semi-annually in arrears in March and September during the first two years, thereafter each February and August. The effective interest rate is 4.84%. In the placement, the final interest rate was reduced as Telecel Bolivia took advantage of strong demand for the bonds resulting in a reduction of the average interest rate to 4.55%. Telecel Bolivia received Boliviano 4.59 million in excess of the Boliviano 696 million issued (upfront premium).

(9) UNE Bonds

In March 2010, UNE issued a COP 300 billion (approximately $126 million) 5 and 10-year bond consisting of two tranches. Interest rates are either fixed or variable depending on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in March 2015 and Tranche B will mature in March 2020.

In May 2011, UNE issued a COP 300 billion (approximately $126 million) 5 and 12-year bond consisting of two equal tranches. Interest rates are variable and depend on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A will mature in October 2016 and Tranche B will mature in October 2023.

C/ Capital structure and financing (continued)

C.3.2. Bank financing

Bank Financing (US$ millions)	Country	Maturity	Interest rate	2015	2014
Fixed rate loans					
Long-term loans	Paraguay	2020/2023	9%	92	–
USD Long-term loans	Honduras	2015/2021	3.96% – 6.45%	–	77
Other Long-term loans	Various		Various	–	19
Variable rate loans					
USD Long-term loans	Costa Rica	2021	4% variable	104	114
USD Long-term loans	Chad	2019	4% variable	11	12
USD Long-term loans	Rwanda	2016/2019	2.9% variable	119	119
USD Long-term loans	Tanzania (Zantel)	2020	4.1% variable	100	–
BOB Long-term loans	Bolivia	2019	6% variable	1	–
USD Short-term loans	Ghana	2016	3.5% variable	40	30
USD Long-term loans(ii)	Honduras	2015/2022	1.7% – 6% variable	–	126
COP Syndicated loan	Colombia	2020	IBR+7.10%*(i)*	–	274
COP Long-term loans	Colombia(UNE)	2023/2025	5.7% – 8.8% variable	381	229
HNL variable rate loans(ii)	Honduras	2015/2022	9% – 16% variable	–	131
Other Long-term loans	Various		Various	118	99
Total Bank financing				**966**	**1,230**

(i) IBR – Colombia Interbank Rate.

(ii) No amounts appear in 2015 for Guatemala and Honduras because of their deconsolidation.

MIC SA Revolving Credit Facility

In June 2014, MIC S.A. entered into a $500 million revolving credit facility with a consortium of banks, including each Initial Purchaser, of which $200 million (Facility A) is for a 2-year term and $300 million (Facility B) is for a 3-year term. In May 2015 both facilities were extended for one year.

Subject to the terms of the revolving credit facility, the maturity date of all or a portion of the amounts outstanding under Facility A may be extended for one year and under Facility B may be extended for either one or two years. Amounts drawn under the revolving credit facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the revolving credit facility agreement. Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.3% (for Facility A) or 1.4% (for Facility B), provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the most recently completed financial year is within a specified range. As of 31 December 2015, the facility was committed and fully undrawn.

Right of set-off and de-recognition

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

C/ Capital structure and financing (continued)

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- Rights to receive cash flows from the asset have expired; or
- Rights to receive cash flows from the asset or obligations to pay the received cash flows in full without material delay have been transferred to a third party under a "pass-through" arrangement; and the Group has either transferred substantially all the risks and rewards of the asset or the control of the asset.

When rights to receive cash flows from an asset have been transferred or a pass-through arrangement concluded, an evaluation is made if and to what extent the risks and rewards of ownership have been retained. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay (See USD 6.875% Senior Notes in note C.3.1.).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

In addition to the bank financing arrangements described above, in 2015 a Millicom subsidiary has an agreement with a bank whereby the bank provided loans amounting to Euro 134 million (2014: Euro 176 million) to the Millicom subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank and entered into total return swaps. The total return swaps remove any risk of the banks connected to the loans, and as such Millicom have derecognised both its deposit asset and the loan liabilities from the date of the total return swap (see D.1.2.). In March 2015 one financing facility was repaid and the swap contracts terminated.

C.3.3. Finance leases

Millicom's finance leases mainly consist of long-term lease of tower space from tower companies or competitors on which Millicom locate its network equipment.

Finance lease liabilities

Leases which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease. The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments.

C/ Capital structure and financing (continued)

Lease payments are allocated between finance charges (interest) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded as financial expenses in the income statement.

Finance Lease Liabilities (US$ millions)	Country	Maturity	2015	2014(i)
Lease of tower space	Tanzania	2023	90	105
Lease of tower space	Colombia Movil	2023	66	79
Lease of tower space	DRC	2017/2023	40	35
Lease of tower space	Ghana	2023/2025	21	20
Lease of poles	Colombia (UNE)	2015/2029	67	94
Other finance lease liabilities	various	various	52	33
Total finance lease liabilities			**336**	**366**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

C.3.4. Guarantees and Pledged Assets

Guarantees

Millicom and its subsidiaries issue guarantees to secure certain obligations under financing agreements (primarily bonds and bank loans). Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortization.

Liabilities to which guarantees are related are recorded in the consolidated statement of financial position under the caption "Debt and financing" and liabilities covered by supplier guarantees are recorded under the caption "Trade payables" or "Debt and financing" depending on the underlying terms and conditions.

Maturity of Guarantees (US$ millions)	At 31 December 2015		At 31 December 2014	
Term	Outstanding exposure*(i)*	Maximum Exposure*(ii)*	Outstanding exposure*(i)*	Maximum Exposure*(ii)*
0-1 year	100	100	111	150
1-3 years	143	143	50	50
3-5 years	393	393	70	70
More than 5 years	7	7	56	55
Total Guarantees	**643**	**643**	**287**	**325**

(i) The outstanding exposure represents the carrying amount of the related liability at 31 December.

(ii) The maximum exposure represents the total amount of the Guarantee at 31 December.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit, or guarantees issued by the Company at 31 December 2015 was $646 million (2014: $1,409 million). Assets pledged by the Group over this debt and financing at the same date amounted to $3 million (2014: $8 million).

C/ Capital structure and financing (continued)

C.3.5. Covenants

Millicom's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2015 there were no breaches in financial covenants.

C.4. Cash and deposits

C.4.1. Cash and cash equivalents

(US$ millions)	2015	2014
Cash and cash equivalents in USD	467	278
Cash and cash equivalents in other currencies	302	416
Total cash and cash equivalents	**769**	**694**

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

C.4.2. Restricted cash

(US$ millions)	2015	2014
Mobile financial services	134	121
Others	8	7
Restricted cash	**142**	**128**

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

C.4.3. Pledged deposits

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

At 31 December 2015, non-current pledged deposits amounted to $nil (2014: $2 million mainly related to security over financing of Millicom's operation in Guatemala (see note C.3.1.)).

At 31 December 2015, current pledged deposits amounted to $3 million (2014: $6 million).

C/ Capital structure and financing (continued)

C.5. Net debt

Net Debt (US$ millions)	2015	2014(i)
Total debt and financing	4,010	4,923
Less:		
Cash and cash equivalents	(769)	(694)
Restricted cash	(142)	(128)
Pledged deposits	(3)	(8)
Time deposits related to bank borrowings	(2)	(2)
Net debt at the end of the year	**3,094**	**4,091**
Add (less) derivatives related to debt	39	43
Net debt including derivatives related to debt	**3,133**	**4,134**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

C.6. Financial instruments

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial instruments that contain obligations to purchase own equity instruments

Contracts that contain obligations for the Company to purchase its own equity instruments for cash or other financial assets are initially recorded as financial liabilities based on the present value of the redemption amounts with a corresponding reserve in equity. Subsequently the carrying value of the liability is remeasured at the present value of the redemption amount with changes in carrying value recorded in other non-operating (expenses) income, net. If the contracts expire without delivery, the carrying amounts of the financial liabilities are reclassified to equity.

The put options that Millicom granted to its local shareholders in Honduras and Guatemala represented obligations to purchase the shares held by the local partners (see note C.6.3.).

Financial instruments that contain call options over non-controlling interests

Contracts over non-controlling interests that require gross cash settlement are also classified as equity instruments. Such call options are initially recognised at fair value and not subsequently remeasured. If a call option is exercised, this initial fair value is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, the fair value of the call option remains within equity.

Call option contracts over non-controlling interests that require net cash settlement or provide a choice of settlement are classified as financial assets. Contracts over non-controlling interests that require physical settlement of a variable number of own shares for a variable price are classified as financial assets and changes in the fair value are reported in the income statement. If such a

C/ Capital structure and financing (continued)

call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, its carrying amount is expensed in the income statement.

The call options that Millicom obtained from its local shareholders in Honduras and Guatemala provided Millicom with control over the operations in those countries until 31 December 2015 and were classified as financial assets. Changes in the fair value of the call options are recorded in other non-operating (expenses) income, net.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value at each subsequent closing date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

For transactions designated and qualifying for hedge accounting, at the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging instrument is classified as a non-current asset or liability when the period to maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

The change in fair value of hedging instruments that are designed and qualify as fair value hedges is recognised in the income statement as finance costs or income. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement as finance costs or income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Gains or loss relating to any ineffective portion is recognised immediately in the income statement within "Other non-operating (expenses) income, net". Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recycled to the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other non-operating (expenses) income, net".

C/ Capital structure and financing (continued)

C.6.1. Fair Value Measurement Hierarchy

Millicom uses 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).

Derivative financial instruments are measured with reference to Level 2, except for the call option in Honduras and in Guatemala (see note C.6.3.) which were measured with reference to level 3. The fair value of the call option was determined by using an option pricing model (Monte Carlo simulation using the Longstaff Schwartz algorithm). The Honduras and Guatemala put option liabilities were carried at the present value of the redemption amount and were therefore excluded from the fair value hierarchy. No other financial instruments are measured at fair value.

C/ Capital structure and financing (continued)

C.6.2. Fair value of financial instruments

The fair value of Millicom's financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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. The fair values of all debt and financing have been estimated by the Group based on discounted future cash flows at market interest rates.

Fair values of financial instruments at 31 December (US$ millions)	Note	Carrying Value		Fair Value(i)	
		2015	2014(ii)	2015	2014(ii)
Financial Assets					
Pledged deposits	C.4.3.	–	2	–	2
Derivative financial instruments		26	–	26	–
Other non-current assets		75	113	75	113
Trade receivables, net		398	492	398	492
Amounts due from non-controlling interests, associates and joint venture partners		16	325	16	325
Prepayments and accrued income		193	274	193	274
Supplier advances for capital expenditures		39	64	39	64
Call option		–	74	–	74
Other current assets		98	93	98	93
Restricted cash		142	128	142	128
Cash and cash equivalents		769	694	769	694
Total		**1,756**	**2,259**	**1,756**	**2,259**
Current		1,655	2,070	1,655	2,144
Non-current		101	189	101	115
Financial Liabilities					
Debt and financing(iii)	C.3.	4,010	4,923	3,872	5,094
Trade payables		334	386	334	386
Payables and accruals for capital expenditure		285	371	285	371
Derivative financial instruments		65	43	65	43
Put options		–	2,260	–	–
Amounts due to non-controlling interests, associates and joint venture partners		644	56	644	56
Accrued interest and other expenses		425	500	425	500
Other liabilities		352	347	352	347
Net financial liabilities		**6,115**	**8,886**	**5,977**	**6,797**
Current		2,125	4,165	2,125	1,905
Non-current		3,990	4,721	3,852	4,892

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2, except for call option assets which was measured with reference to Level 3.

(ii) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(iii) Fair values of certain bonds have been restated using Level 1 compared to Level 2 over the previous years (2014: $3,652 million).

C/ Capital structure and financing (continued)

C.6.3. Call and put options

Honduras Call Option

For Celtel, the call option price was a fixed multiple of the EBITDA of Celtel. On 31 December 2015, Celtel's call option to acquire the remaining 33% of the Honduras business has expired unexercised and Celtel has been deconsolidated as a result. The fair value of the call option was immaterial. For further details, see note A.2.2..

Honduras Put Option

For Celtel the liability was measured at the present value of the redemption price of the put option which amounted to $573 million at 31 December 2014. The redemption price of the put option was based on a multiple of the EBITDA of Celtel. The multiple is based on a change of control transaction multiple of Millicom. Management estimated the change of control transaction multiple of Millicom from a trading multiple of Millicom adding a control premium (based upon comparable transactions from the industry).

During the year 2015, Millicom recorded an income of $117 million under 'other non-operating (expenses) income, net' due to the decrease in value of the put option liability. At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability of $456 million being settled against the put option reserve for $737 million (amount recognised at inception) and against retained profits for the residual difference of $(281) million. See note A.2.2..

Guatemala call Option

For Comcel, the call option price was a fixed multiple of the EBITDA of Comcel, with a gold price index in the event that the gold price increased by more than 40%. Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired on 31 December 2015. Millicom's call option has therefore been derecognised at 31 December 2015 (31 December 2014: $74 million). As a result, a total loss of $71 million was recorded in 2015 under 'other non-operating (expenses) income, net'. For further details, see note A.2.2.

Guatemala Put Option

For Comcel the liability was measured at the present value of the redemption price of the put option which amounted to $1,687 million at 31 December 2014.

The redemption price of the put option was based on a multiple of the EBITDA of Comcel. The multiple was based on a change of control transaction multiple of Millicom. Management estimate the change of control transaction multiple of Millicom from a trading multiple of Millicom and add a control premium (based upon comparable transactions).

During the year 2015, Millicom recorded an income of $8 million under 'other non-operating (expenses) income, net' due to the decrease in value of the put option liability.

At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability of $1,679 million being settled against the put option reserve for $1,775 million (amount recognised at inception) and against retained profits for the residual difference of $(96) million. See note A.2.2

D/ Financial risk management

Exposure to interest rate, foreign currency, non-repatriation, liquidity, capital management and credit risks arise in the normal course of Millicom's business. The Group analyses each of these risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. Millicom's risk management strategies may include the use of derivatives. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Accounting policies for derivatives is further detailed in note C.6..

On 31 December 2015, fair value of derivatives held by the Group can be summarized as follows:.

Derivatives (US$ millions)	2015	2014
Cash flow hedge derivatives	–	–
Fair value hedge derivatives (on SEK Bond)	(65)	(44)
Derivatives held for trading (on swaps on Euro denominated debt)	26	1
Net derivative asset (liability)	**(39)**	**(43)**

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed (75%) and variable (25%) rates. The Group actively monitors borrowings against this target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2015, approximately 68% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates with interest rate swaps (2014: 69%).

D.1.1. Fixed and floating rate debt

Financing at 31 December 2015 (US$ millions)	Amounts due within:						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate financing	48	75	65	92	581	1,876	2,737
Weighted average nominal interest rate	9.17%	8.36%	9.56%	8.78%	5.44%	7.58%	7.26%
Floating rate financing	173	245	99	170	229	357	1,273
Weighted average nominal interest rate	4.97%	3.33%	4.16%	3.95%	5.66%	12.06%	5.08%
Total	**221**	**320**	**164**	**262**	**810**	**2,233**	**4,010**
Weighted average nominal interest rate	5.87%	4.51%	6.30%	5.64%	5.50%	7.93%	7.01%

D/ Financial risk management (continued)

Financing at 31 December 2014 (US$ millions)(i)	Amounts due within:						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate financing	75	76	353	302	49	2,582	3,437
Weighted average nominal interest rate	6.37%	8.81%	8.61%	5.32%	8.75%	7.33%	7.31%
Floating rate financing	283	272	204	187	181	359	1,486
Weighted average nominal interest rate	5.89%	7.30%	6.92%	7.60%	7.14%	8.25%	7.23%
Total	**358**	**348**	**557**	**489**	**230**	**2,941**	**4,923**
Weighted average nominal interest rate	5.99%	7.63%	7.99%	6.19%	7.48%	7.59%	7.31%

(i) Restated after finalisation of the UNE purchase accounting (note A.1.2.).

A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2015, would increase or reduce profit before tax from continuing operations for the year by approximately $13 million (2014: $15 million).

D.1.2. Interest rate swap contracts

Millicom enters into currency and interest rate swap contracts to manage its exposure to fluctuations in interest rates and currency fluctuations in accordance with its risk management policies. Details of these arrangements are provided below.

Interest rate and currency swaps on SEK denominated debt

In October 2012, Millicom issued senior unsecured floating rate notes of Swedish Krona ('SEK') 1.75 billion and senior unsecured fixed rate notes of SEK 0.25 billion (see note C.3.1.). At the same time Millicom entered into various cross currency interest swap contracts whereby Millicom receives SEK and sells USD to hedge against exchange rate fluctuations for the notional amount of SEK 2 billion and interest payments on this principal. Millicom also hedged against interest rate fluctuations on the floating rate notes of SEK 1.75 billion, receiving variable interest at STIBOR +3.5% and paying a fixed rate of 5.125%.

The currency portion of the swap has been accounted for as a fair value hedge and $20 million of loss were recorded within the caption "other non-operating expenses, net" for the year ended 31 December 2015 (2014: losses of $56 million). For the interest portion, as the timing and amounts of the cash flows under the swap agreements match the cash flows under the bonds, the swaps are highly effective. Cash flow hedge accounting has been applied and changes in the fair value of the swaps are recorded in other comprehensive income. At 31 December 2015 the fair value of the swap amounts to a liability of $65 million (2014: a liability of $43 million) (level 2).

At 31 December 2015 the cash flow hedge reserve on these hedges amounted to $1 million. (December 31, 2014: $2 million) (level 2).

Interest rate and currency swaps on Euro denominated debt

In June 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven year Euro 134 million principal and related interest financing of its operation in Senegal. At 31 December 2015 the fair value of the swap amounts to an asset of $26 million (2014: an asset of $1 million).

D/ Financial risk management (continued)

In July 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven year Euro 41.5 million principal and related interest financing of its operation in Chad. In March 2015 the financing facility was repaid and the swap contracts terminated. A gain on the swap including termination of $4 million was recorded in other non-operating income (expenses), net.

These financings are connected to the downstreaming of a portion of Millicom's 4.75% bond (see note C.3.1.). These hedges do not qualify for hedge accounting. Fluctuations in the value of those instruments are recorded through profit and loss. $32 million of income was recorded from the fluctuations in fair value in 2015 (2014: $21 million) in other non-operating income (expenses), net. (See note B.5.)

D.2. Foreign currency risks

The Group is exposed to foreign exchange risk arising from various currency exposures in the countries in which it operates. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar reporting currency. In some cases, Millicom may also borrow in US dollars where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

D.2.1. Debt denominated in $US and other currencies

Debt denomination at 31 December (US$ millions)	2015	2014(i)
Debt denominated in $US	**2,798**	**3,480**
Debt denominated in currencies of the following countries:		–
Colombia	660	942
Chad	94	55
Tanzania	94	105
Honduras	–	145
Bolivia	236	162
Ghana	21	20
Paraguay	92	–
Other	15	14
Total debt denominated in other currencies	**1,212**	**1,443**
Total debt	**4,010**	**4,923**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.).

At 31 December 2015, if the US dollar had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by $29 million and $35 million respectively (2014: $50 million and $61 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with functional currencies other than the US dollar.

D/ Financial risk management (continued)

D.2.2. Foreign currency swaps

See note D.1.2. Interest rate swaps.

D.3. Non-repatriation risk

Most of Millicom's operating subsidiaries generate most of the revenue of the Group and in the currency of the countries in which they operate. Millicom is therefore dependent on the ability of its subsidiaries and joint venture operations to transfer funds to the Company.

Although foreign exchange controls exist in some of the countries in which Millicom Group companies operate, none of these controls currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where the Group operates, or foreign exchange controls may be introduced in countries where the Group operates that do not currently impose such restrictions. If such events were to occur, the Company's ability to receive funds from the operations could be subsequently restricted, which would impact the Company's ability to make payments on its interest and loans and, or pay dividends to its shareholders.

In addition, in some countries it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this may be time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group.

D.4. Credit and counterparty risk

Financial instruments that subject the Group to credit risk include cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners and associates, supplier advances and other current assets and derivatives. Counterparties to agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set based on each banks credit rating.

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Accounts receivable also comprise balances due from other telecom operators. 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. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

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

D.5. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has significant indebtedness but also has significant cash

D/ Financial risk management (continued)

balances. Millicom 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 Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, vendor financing, Export Credit Agencies and Development Finance Institutions ("DFI") loans, and finance leases. Millicom believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC and FMO), who have been established specifically to finance development in the Group's markets. Millicom has a diversified financing portfolio with commercial banks representing about 24% of its gross financing (2014: 23%), bonds 64% (2014: 69%), Development Finance Institutions 3% (2014: 2%), finance leases 8% (2014: 6%), and vendor financing 1% (2014: nil).

Maturity Profile of Net Financial Liabilities at 31 December 2015 (US$ millions)	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(221)	(1,555)	(2,233)	(4,010)
Cash and cash equivalents	769	–	–	769
Restricted cash	142	–	–	142
Pledged deposits (related to bank borrowings)	3	–	–	3
Time deposits	3	–	–	3
Derivative financial instruments (SEK currency swap)	(1)	(65)	–	(66)
Net cash (debt) including derivatives related to debt	**695**	**(1,620)**	**(2,233)**	**(3,159)**
Future interest commitments	(257)	(881)	(83)	(1,221)
Trade payables (excluding accruals)	(420)	–	–	(420)
Other financial liabilities (including accruals)	(1,693)	–	–	(1,693)
Trade receivables	398	–	–	398
Other financial assets	130	75	–	205
Net financial liabilities	**(1,147)**	**(2,426)**	**(2,316)**	**(5,889)**

Maturity Profile of Net Financial Liabilities at 31 December 2014 (US$ millions)(i)	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(358)	(1,624)	(2,941)	(4,923)
Cash and cash equivalents	694	–	–	694
Restricted cash	128	–	–	128
Pledged deposits (related to bank borrowings)	6	2	–	8
Time deposits	2	–	–	2
Derivative financial instruments (SEK currency swap)	–	(43)	–	(43)
Net cash (debt) including derivatives related to debt	**472**	**(1,665)**	**(2,941)**	**(4,134)**
Future interest commitments(ii)	(348)	(1,091)	(109)	(1,548)
Trade payables (excluding accruals)	(481)	–	–	(481)
Put option liabilities	(2,260)	–	–	(2,260)
Other financial liabilities (including accruals)	(1,326)	–	–	(1,326)
Call option	74	–	–	74
Trade receivables	492	–	–	492
Other financial assets	378	113	–	491
Net financial liabilities	**(2,999)**	**(2,643)**	**(3,050)**	**(8,692)**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(ii) Includes unamortized difference between carrying amount and nominal amount of debts.

D/ Financial risk management (continued)

D.6. 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 economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. At 31 December 2015 Millicom is rated at one notch below investment grade by the independent rating agencies Moody's (Ba1 negative) and Fitch (BB+ stable). The Group primarily monitors capital using net debt to adjusted operating profit as well as a set of other indicators.

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

Net debt to EBITDA (US$ millions)	Note	2015	2014(i)
Net debt(ii)	C.5.	4,295	4,091
EBITDA	B.3.	2,178	2,093
Net debt to EBITDA		**1.97**	**1.95**

Gearing ratio(US$ millions)	Note	2015	2014(i)
Net debt(ii)	C.5.	4,295	4,091
Equity	C.1.	3,477	2,339
Net debt and Equity		**7,772**	**6,430**
Gearing ratio		**55%**	**63%**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(ii) Including net debt of Guatemala and Honduras operations for $ 1,201 million at 31 December 2015.

E/ Long-term assets

E.1. Intangible assets

Millicom's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate and use spectrum.

E.1.1. Accounting for intangible assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

E/ Long-term assets (continued)

intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, at the date of the acquisition. If the fair value or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within twelve months of the acquisition date any adjustments to the provisional values are recognised. This is done when the fair values 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 recognised from the acquisition date. Goodwill on acquisition of subsidiaries is included in "intangible assets, net". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are not usually included.

Trademarks and customer lists

Trademarks and customer bases are recognised as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks

E/ Long-term assets (continued)

and customer bases have indefinite or finite useful lives.Indefinite useful life trademarks are tested for impairment annually. Finite useful life trademarks 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:

Estimated useful lives	Years
Trademarks	1 to 15
Customer lists	4 to 9

Programming and content rights

Programming and content master rights which are purchased or acquired in business combinations 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 recognised at the earlier of payment or commencement of the broadcasting period to which the rights relate.

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

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

Indefeasible rights of use

Indefeasible rights of use ("IRU") agreements are mainly composed of purchase and/or sale of specified infrastructure, purchase and/or sale of lit fiber capacity and exchange of network infrastructure or lit fiber capacity. These arrangements are either accounted for as leases, service contracts, or partly as leases and partly as service contracts. Determination of the appropriate classification depends on an assessment of the characteristics of the arrangements.

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

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

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

E/ Long-term assets (continued)

If the arrangement is, or contains a lease, the lease is accounted for as either an operating lease or a financial lease (see policy note Leases C.3.3.). A financial lease of an IRU of network infrastructure is accounted for as a tangible asset. A financial lease of an IRU on capacity is accounted for as an intangible asset.

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

E.1.2. Impairment of non-financial assets

At each reporting date Millicom assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset's recoverable amount is made. The recoverable amount is determined 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 recognised in the consolidated 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 recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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.

E/ Long-term assets (continued)

E.1.3. Movements in intangible assets

Movements in intangible assets in 2015 (US$ millions)	Goodwill	Licenses	Customer Lists	Capacity Contracts	Broadcast and other rights	Other(i)	Total
Opening balance, net	**3,076**	**774**	**486**	**167**	**30**	**982**	**5,515**
Change in the Group (see note A.1.2.)(ii)	40	17	8	19	–	–	84
Additions	–	47	–	31	–	116	194
Effect of deconsolidation	(2,358)	(345)	(343)	(13)	–	(754)	(3,813)
Amortization charge	–	(53)	(99)	(17)	(5)	(72)	(246)
Impairment	–	(18)	–	–	–	(1)	(19)
Disposals, net	–	–	–	(2)	–	–	(2)
Transfers	–	(3)	2	(6)	7	–	–
Exchange rate movements	(114)	(55)	(11)	(50)	–	(70)	(300)
Closing balance, net	**644**	**364**	**43**	**129**	**32**	**201**	**1,413**
At 31 December 2015							
Cost or valuation	644	616	196	192	51	483	2,182
Accumulated amortization and impairment	–	(252)	(153)	(63)	(19)	(282)	(769)
Net	**644**	**364**	**43**	**129**	**32**	**201**	**1,413**

Movements in intangible assets in 2014 (US$ millions)	Goodwill	Licenses	Customer Lists	Capacity Contracts	Broadcast and other rights	Other(i)	Total
Opening balance, net	**1,382**	**480**	**250**	**125**	**37**	**184**	**2,458**
Change in the Group (see note A.1.2.)(ii)	1,874	388	350	87	–	835	3,534
Additions	–	88	–	22	–	90	200
Amortization charge	–	(77)	(97)	(15)	(6)	(44)	(239)
Impairment	–	(1)	–	(6)	–	(7)	(14)
Transfers	–	(48)	(1)	(14)	–	63	–
Exchange rate movements	(180)	(56)	(16)	(32)	(1)	(139)	(424)
Closing balance, net	**3,076**	**774**	**486**	**167**	**30**	**982**	**5,515**
At 31 December 2014							
Cost or valuation	3,076	1,058	886	248	42	1,354	6,664
Accumulated amortization and impairment	–	(284)	(400)	(81)	(12)	(372)	(1,149)
Net	**3,076**	**774**	**486**	**167**	**30**	**982**	**5,515**

(i) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note E.1.).

(ii) The change in the composition of the Group corresponded to the acquisition of Zantel in 2015 and Guatemala and UNE in 2014 as well as other minor investments. Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.)

E/ Long-term assets (continued)

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions (US$ millions)	2015	2014
Additions	194	200
Change in advances to suppliers	–	–
Change in accruals and payables for intangibles	(8)	(16)
Cash used from continuing operations for additions	**186**	**184**

E.1.5. Goodwill

Allocation of Goodwill to CGUs, net of exchange rate movements and after impairment (US$ millions)	Note	2015	2014(i)
Guatemala	A.2.2.	–	1,571
Honduras	A.2.2	–	817
El Salvador		194	194
Costa Rica		129	129
Paraguay		53	65
Colombia		189	242
DRC		11	11
Tanzania (Zantel)		34	–
Other		34	37
Total		**644**	**3,066**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

E.1.6. Impairment testing of goodwill

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

Goodwill arising on business combinations is allocated to each of the Group's cash generating units (CGU's) 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 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 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 (value in use) and, if appropriate, the fair value less costs to sell of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognised for the lower amount.

Impairment testing at 31 December 2015

Goodwill was tested for impairment by assessing the recoverable amount (first using a value in use model) against the carrying amount for CGU based on discounted cash flows. The cash flow projections used (adjusted operating profit margins, income tax, working capital, capital

E/ Long-term assets (continued)

expenditure and license renewal cost) are extracted from financial budgets approved by management and the Board covering a period of five years or more. This planning horizon reflects industry practice in the countries where the Group operates and stage of development or redevelopment of the business in those countries. Cash flows beyond this period are extrapolated using a perpetual growth rate of 2.0%-2.5% (2014: 2.0%-2.5%). When value in use model resulted in the carrying values of the CGUs being higher than their recoverable amount, management has determined the fair value less cost of disposal ('FVLCD') of the CGUs. Fair value less cost of disposal has been determined either by using recent offers received from third parties (level 1) or by using discounted cash flow projections (still based on the 5YR plans) and applying a multiple of EBITDA on the terminal year of the 5YR plan to derive the terminal value for the CGU (ranging between 3.0x to 4.0x) (level 3).

As a result of the annual impairment testing on goodwill, management concluded that the Senegal cash generating unit (CGU), part of Africa segment, should be impaired. Hence, in accordance with IAS 36, an impairment loss of $54 million has been allocated to reduce the carrying amount of the other assets of our operations in Senegal (the goodwill allocated to Senegal was already fully impaired in 2013) pro rata on the basis of the carrying amount of each asset to the extent the carrying amount of each asset was not below the highest of its fair value less costs to sell, its value in use and zero. Management has determined that the impairment loss should be allocated to property, plant and equipment and intangible assets for $36 million and $18 million, respectively. The impairment has been classified within the caption "other operating expenses, net". At 31 December 2015, the carrying value of the CGU corresponds to its fair value less costs of disposal (level 3).

No impairment losses were recorded on goodwill for the year ended 31 December 2014.

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing.

Discount rates used in determining recoverable (US$ millions)	Discount rate after tax	
	2015	2014
Bolivia	10.8%	11.0%
Chad	17.3%	12.6%
Colombia	9.5%	9.5%
Costa Rica	11.1%	10.1%
DRC	17.6%	13.1%
El Salvador	11.4%	11.5%
Ghana	16.9%	13.7%
Guatemala	10.2%	10.8%
Honduras	11.0%	12.0%
Paraguay	10.1%	10.5%
Rwanda	13.1%	11.7%
Senegal	13.9%	11.5%
Tanzania	13.8%	11.4%

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

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

E/ Long-term assets (continued)

The carrying amount of replaced parts is derecognised.

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

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

Construction in progress consists of the cost of assets, labour and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Ongoing routine 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 derecognised.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognised when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

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 contribute to future economic benefits for the Group and the costs can be measured reliably.

E/ Long-term assets (continued)

E.2.2. Movements in tangible assets

Movements in tangible assets in 2015 (US$ millions)	Network Equipment(iii)	Land and Buildings	Construction in Progress	Other(i)	Total
Opening balance, net	3,749	193	490	319	4,751
Change in the Group (see note A.1.2.)(ii)	32	4	4	–	40
Additions	103	4	962	34	1,103
Effect of deconsolidation	(850)	(18)	(122)	(40)	(1,030)
Impairments	(33)	–	(5)	(1)	(39)
Disposals, net	(9)	(2)	–	(4)	(15)
Depreciation charge	(952)	(15)	–	(108)	(1,075)
Asset retirement obligations	6	3	–	–	9
Transfers	916	12	(956)	28	–
Transfers from/(to) assets held for sale	9	–	–	–	9
Exchange rate movements	(485)	(34)	58	(86)	(547)
Closing balance, net	**2,486**	**147**	**431**	**142**	**3,206**
Cost or valuation	5,702	180	431	448	6,761
Accumulated amortization and impairment	(3,216)	(33)	–	(306)	(3,555)
Net at 31 December 2015	**2,486**	**147**	**431**	**142**	**3,206**

Movements in tangible assets in 2014 (US$ millions)	Network Equipment(iii)	Land and Buildings	Construction in Progress	Other(i)	Total
Opening balance, net	2,151	74	374	172	2,771
Change in the Group (see note A.1.2.)(ii)	1,721	137	163	291	2,312
Additions	127	7	929	31	1,094
Impairments and net disposals	(17)	(1)	(4)	(8)	(30)
Depreciation charge	(812)	(9)	–	(99)	(920)
Asset retirement obligations	26	–	–	–	26
Transfers	929	13	(926)	(16)	–
Transfers from/(to) assets held for sale	(1)	–	–	–	(1)
Exchange rate movements	(375)	(28)	(46)	(52)	(501)
Closing balance, net	**3,749**	**193**	**490**	**319**	**4,751**
Cost or valuation	7,873	232	490	695	9,290
Accumulated amortization and impairment	(4,124)	(39)	–	(376)	(4,539)
Net at 31 December 2014	**3,749**	**193**	**490**	**319**	**4,751**

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

(ii) The change in the composition of the Group corresponded to the acquisition of Zantel in 2015 and Guatemala and UNE in 2014 as well as other minor investments. Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(iii) The net carrying amount of network equipment under finance leases at 31 December 2015 was $258 million (2014: $226 million).

Borrowing costs capitalized for the years ended December 31, 2015 and 2014 were not significant.

E/ Long-term assets (continued)

E.2.3. Cash used for the purchase of tangible assets

Cash used for property, plant and equipment additions (US$ millions)	2015	2014
Additions	1,103	1,094
Change in advances to suppliers	8	(14)
Change in accruals and payables for property, plant and equipment	(62)	48
Vendor financing and finance leases	(30)	–
Cash used from continuing operations for additions	**1,019**	**1,128**

E.3. Assets held for sale

If Millicom decides to sell subsidiaries, investments in joint ventures or associates, or specific non-current assets in its businesses, these items qualify as assets held for sale if certain conditions are met. Millicom's assets held for sale are towers which have been sold and leased back from tower companies, and the 4G spectrum that it was required to sell on acquisition of UNE.

E.3.1. Classification of assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use. Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

E.3.2. Millicom's assets held for sale

(US$ millions)	2015	2014(i)
Tower assets held for sale	–	12
4G Spectrum (UNE) held for sale	12	15
Liabilities directly associated with assets held for sale	–	(2)
Net assets held for sale	**12**	**25**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

Tower assets held for sale

Between 2009 and 2011 Millicom signed sale and leaseback agreements with tower companies in Africa and South America whereby Millicom agreed the sale of tower assets and to lease back a dedicated portion of each tower to locate its network equipment in exchange for cash and investments in the tower companies. When sale and leaseback agreements are concluded, the portions of assets that will not be leased back by Millicom are classified as assets held for sale as completion of their sale is highly probable. Asset retirement obligations related to the towers are classified as liabilities directly associated.

By 31 December 2015, towers previously classified as held for sale were finally not transferred to tower companies and were reclassified as fixed assets by the operations, DRC, Colombia, Ghana and Tanzania (31 December 2014: $12 million). Asset retirement obligations related to these towers (31 December 2014: $2 million) were reclassified as liabilities.

4G spectrum (UNE)

In accordance with the merger approval (see note A.1.2.) spectrum to be returned to the Colombian government with carrying value of $12 million (31 December 2014: $15 million) at the date of the merger, was classified to assets held for sale at 31 December 2015 and 2014.

F/ Other assets and liabilities

F.1. Trade receivables

Millicom's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as B2B customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

(US$ millions)	2015	2014
Gross trade receivables	599	735
Less: provisions for impairment of receivables	(201)	(243)
Trade receivables, net	**398**	**492**

Ageing of trade receivables (US$ millions)	Neither past due nor impaired	Past due (net of impairments) <30 days	30-90 days	>90 days	Total
2015:					
Telecom operators	32	20	14	1	67
Own customers	153	54	48	–	255
Others	52	14	6	4	76
Total	**237**	**88**	**68**	**5**	**398**
2014:					
Telecom operators	63	19	21	4	107
Own customers	186	55	27	–	268
Others	78	16	12	11	117
Total	**327**	**90**	**60**	**15**	**492**

Trade receivables are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognised in the consolidated income statement within "Cost of sales".

Loans and receivables 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 those maturing more 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. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortization process.

F/ Other assets and liabilities (continued)

F.2. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories (US$ millions)	2015	2014(i)
Telephone and equipment	59	135
SIM cards	7	6
Other	14	7
Inventory at December 31	**80**	**148**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

F.3. Trade payables

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

F.4. Current and non-current provisions and other liabilities

Provisions are recognised when the 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised 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 recognised as interest expenses.

F.4.1. Current provisions and other liabilities

Current (US$ millions)	Note	2015	2014(i)
Deferred revenue		121	190
Customer deposits		8	13
Current legal provisions		18	6
Tax payables		60	83
Other current provisions		–	2
Customer and MFS distributor cash balances		130	115
Other current liabilities		151	112
Total		**488**	**521**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

F.4.2. Put Options

The put options are financial liabilities as defined in IAS 32 and recorded as current liabilities. Refer to note F.4.1. for further details.

F/ Other assets and liabilities (continued)

F.4.3. Non-Current provisions and other liabilities

Non-Current (US$ millions)	Note	2015	2014(i)
Non-current legal provisions		24	16
Long-term portion of asset retirement obligations		70	100
Long-term portion of deferred income on tower sale and leasebacks		24	30
Long-term employment obligations		56	69
Other non-current liabilities		73	83
Total		**247**	**298**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

G/ Additional disclosure items

G.1 Fees to auditors

(US$ millions)	2015	2014
Audit fees	4.7	5.1
Audit related fees	0.3	0.2
Tax fees	0.3	0.4
Other fees	0.9	0.6
Total	**6.2**	**6.3**

G.2. Capital and operational commitments

Millicom has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital commitments

At 31 December 2015 the Company, its subsidiaries had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of $326 million of which $309 million are due within one year (December 31, 2014: $336 million of which $308 million are due within one year). Out of these commitments, respectively $59 million and $49 million related to Millicom's joint ventures. (December 31, 2014: $40 million of which $31 million are due within one year).

G.2.2 Lease commitments

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset. The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above. The portion of towers being leased back represents the dedicated part of each tower on which Millicom's equipment is located and was derived from the

G/ Additional disclosure items (continued)

average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses.

Operating leases

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

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2015 was $193 million (2014: $180 million – see note B.2.).

Annual Operating Lease Commitments (US$ millions)	2015(ii)	2014(i)
Within one year	111	156
Between one and five years	310	512
After five years	214	331
Total	**635**	**999**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

(ii) Joint ventures operating lease commitments amount to $262 million (2014: nil) and are excluded from the table above.

Finance leases

Finance leases, which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortised over the lease term. Capitalised leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Finance leases mainly comprise lease of tower space in Ghana, Tanzania, DRC and Colombia (see note C.3.3.), lease of poles in Colombia and tower sharing in other countries. Other financial leases mainly consist of lease agreements relating to vehicles and IRUs.

Annual Minimum Finance Lease Commitments (US$ millions)	2015(ii)	2014(i)
Within one year	64	62
Between one and five years	273	270
After five years	331	374
Total	**668**	**706**

(i) Comparative information has been restated after finalisation of the UNE purchase accounting (note A.1.2.).

G/ Additional disclosure items (continued)

(ii) Joint ventures finance lease commitments amount to $nil (2014: nil) and are excluded from the table above.

The corresponding finance lease liabilities at 31 December 2015 were $336 million (2014: $366 million).

G.3. Contingent liabilities

G.3.1. Litigation and legal risks

The Company and its operations are contingently liable with respect to lawsuits and other legal risks that arise in the normal course of business. As of 31 December 2015, the total amount of claims and litigation risks against Millicom and its operations was $492 million, of which $nil million related to its joint ventures (31 December 2014: $359 million).

As at 31 December 2015, $42 million (31 December 2014: $22 million), of which $nil million related to its joint ventures, has been provided for litigation and legal risks in the consolidated statement of financial position. While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

In June 2015, Millicom identified that an incorrect filing related to one of its African operations had been made in the commercial register. As a result of that erroneous entry, the register incorrectly indicates that shares in Millicom's operation were transferred to a third party. At 31 December 2015, Millicom is engaged in legal proceedings and believes there is no valid basis whatsoever for this entry to have been made.

Ghana

A lawsuit filed against our subsidiary in Ghana (Millicom Ghana) by E-Talk Limited (E-Talk) in November 2011, alleging that Millicom Ghana terminated a July 2006 contract with insufficient notice. The total value of the claim is approximately $30 million, including various general damages, loss of expected revenues and punitive damages. Management considers this claim as opportunistic and without foundation, in so far as it was filed more than four years after the events on which the plaintiff bases its claim. A provision of less than $1 million has been made for legal costs related to this claim.

The following specific risks are excluded from the $492 million above::

Colombia

A claim filed with the Civil Chamber of Bogota in Colombia against all mobile operators in Colombia in 2013, including our subsidiary in Colombia, by a group of approximately twenty individuals of approximately $753 million. The claimants allege damages and losses suffered from third parties through illegal use of cellular phones in extortion attempts against the claimants.

The case has been inactive, with the exception of a mandatory settlement conference held among the parties under the court's supervision, which did not result in a settlement agreement. This claim is considered by management to be entirely spurious and without foundation or substance. As a result, no provision has been made for this claim.

Arbitration

At 31 December 2015 Millicom has various other claims, mainly related to licenses subject to arbitration processes.

G/ Additional disclosure items (continued)

Potential improper payments on behalf of the Guatemala joint venture

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala. The case is currently under investigations by the authorities and is at an early stage of development such that Millicom has not been able to assess the potential impact of these facts on its consolidated financial statements.

G.3.2. Tax related risks

The Group operates in countries where the tax systems, regulations and enforcement processes have varying stages of development. As a result the Group operates in certain countries with varying levels of uncertainty regarding application of tax law and interpretation of tax treatments, and is subject to regular tax audits.

At 31 December 2015 potential tax risks estimated by the Group amount to $300 million of which provisions of $92 million have been recorded representing the probable amount of eventual claims and required payments related to those risks (2014: $339 million of which provisions of $63 million were recorded). Out of these potential claims and provisions, respectively $95 million and $13 million related to Millicom's joint ventures.

G.4. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations (US$ millions)	Note	2015	2014
Investing Activities			
Acquisition of property, plant and equipment	E.2.3.	(54)	(60)
Asset retirement obligations	E.2.3.	(9)	(26)
Financing Activities			
Vendor financing and finance leases	G.2.2.	30	–
Share based compensation	B.4.1.	19	22

G.5. Related party balances and transactions

The Company conducts transactions with certain related parties on normal commercial terms and conditions. Included are:

Investment AB Kinnevik ("Kinnevik") and subsidiaries, Millicom's principal shareholder.

Tower companies in Ghana, DRC, Tanzania (until October 2015), Colombia (until July 2014) and in a Helios Towers Africa Ltd (since October 2015), in which Millicom holds a direct or indirect equity interest (see note A.3.2.).

EPM and subsidiaries, the non-controlling shareholder in our Colombian operation (since the merger on 14 August 2014 (see note A.1.2.)).

Miffin Associates Corp and subsidiaries, our joint venture partner in Guatemala.

Kinnevik

Millicom's principal shareholder is Kinnevik. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At

G/ Additional disclosure items (continued)

31 December 2015, Kinnevik owned approximately 38% of Millicom (2014: 38%). During 2015 and 2014, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of Kinnevik or Kinnevik controlled entities.

During 2015 and 2014 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Helios towers

Millicom acquired 40% shareholdings in Helios Towers Ghana, Helios Towers Tanzania and Helios Towers DRC as part of the compensation agreed for the sale and lease back of its towers in those countries. Millicom sold its tower assets and leased back a portion of space on the towers in each of these countries and contracted for related operation and management services. As described in note A.3.2., as a result of a reorganisation, Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains a significant influence on HTA. The Group has future lease commitments in respect of the tower companies (see note G.2.2.).

In October 2011, Millicom's operating subsidiary in DRC provided Helios Towers DRC with a financing facility for a maximum of $38 million (principal of $30 million). Amounts under the facility were guaranteed by Helios Towers Africa, the parent company of Helios Towers DRC, as well as by pledge of its shares in Helios Towers DRC. The principal and interest payable were repaid by Helios DRC in March 2014

In 2013 Millicom provided Helios Towers Tanzania with a $12 million unsecured loan bearing interest at 15% per annum and repayable by the end of 2019. During 2014 Millicom's interest in Helios Towers Tanzania was diluted from 40% to 24.15%, and as compensation for the dilution Millicom received additional loans from Helios Towers Tanzania of $7 million.

ATC BV

From 2012 until disposal in July 2014, the Group provided its 40% owned associate company, ATC BV, with various US dollar denominated loans bearing a fixed rate interest at 8.3% per annum. The loans were converted to equity in 2014 prior to the Group selling its investment in ATC BV (see note A.3.2.).

UNE EPM Telecomunicaciones S.A.

The Group's mobile operation in Colombia leased portions of its tower assets (owned or leased) under finance leases to UNE EPM Telecomunicaciones S.A. ('UNE'), until August 2014, and since that date UNE is a subsidiary of the Group (see note A.1.2.).

G/ Additional disclosure items (continued)

Miffin Associates Corp

The Group purchases and sells products and services from Miffin Associates Corp. Transactions with Miffin represent recurring commercial operations such as purchase of handsets, and sale of airtime.

Expenses from transactions with related parties (US$ millions)	2015	2014
Purchases of goods and services from Kinnevik	3	3
Purchases of goods and services from Miffin	148	155
Purchases of goods and services from EPM	17	1
Lease of towers and related services from Helios and ATC(i)	36	102
Lease of towers and related services from UNE(i)	–	13
Other expenses	2	–
Total	**206**	**274**

Income and gains from transactions with related parties (US$ millions)	2015	2014
Sale of goods and services to EPM	19	8
Sale of goods and services to Miffin	253	213
Gain on sale of towers to Helios and ATC(i)	–	42
Lease of towers and related services to UNE(i)	–	22
Interest income on loans to Helios Towers DRC and Tanzania and ATC(i)	–	7
Other revenue related to Helios Towers Tanzania	4	–
Total	**276**	**292**

(i) Until acquisition/disposal date.

As at 31 December 2015 the Company had the following balances with related parties:

US$ millions	Year ended 31 December 2015	Year ended 31 December 2014
Liabilities		
Payables to Guatemala	335	–
Payables to Honduras	225	–
Finance lease liabilities to tower companies(i)	122	127
Payables to EPM	66	–
Payables to Miffin	–	10
Payable to AIH for 13.33% shareholding increase	–	31
Other accounts payable	18	16
Total	**766**	**184**

G/ Additional disclosure items (continued)

(i) Disclosed under "Debt and other financing" in the statement of financial position.

US$ millions	Year ended 31 December 2015	Year ended 31 December 2014
Assets		
Receivables from EPM	5	–
Loan to Helios Towers Tanzania	7	18
Other loans	–	6
Advances to Miffin	–	212
Advances to Centrotel (joint partner in Honduras operations)	–	88
Other accounts receivable	4	25
Total	**16**	**349**

H/ Subsequent events

Dividend

On 10 February 2016 Millicom announced that the Board will propose to the Annual General Meeting of the Shareholders a dividend distribution of $2.64 per share to be paid out of Millicom profits for the year ended 31 December 2015 subject to the Board's approval of the 2015 Consolidated Financial Statements of the Group.

Millicom to sell its Democratic Republic of Congo business to Orange

On 8 February 2016, Millicom announced that it has signed an agreement for the sale of its business in the Democratic Republic of Congo (DRC) to Orange S.A. The transaction is subject to regulatory approvals. Millicom agreed to sell 100% of the share capital in Oasis SA for total cash consideration of $160 million.

Millicom signs agreement to acquire TV Cable Paraná in Paraguay

On 15 February, 2016, Millicom announced that it will acquire TV Cable Paraná, the leading cable platform in Ciudad del Este, Paraguay's second largest city. TV Cable Paraná covers around 40,000 homes passed with approximately 15,000 clients. The transaction is subject to regulatory approval.

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Independent auditors' report

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

Following our appointment by the General Meeting of the Shareholders dated 27 May 2014, we have audited the accompanying consolidated financial statements of Millicom International Cellular S.A., which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Millicom International Cellular S.A. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The accompanying Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

The accompanying corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Olivier LEMAIRE

Luxembourg, 2 March 2015

Millicom International Cellular S.A.

Consolidated income statement for the year ended December 31, 2014

	Notes	2014	2013 (restated)(i)	2012 (restated)(i)
		US$ millions	US$ millions	US$ millions
Revenue	9,10	6,386	4,390	4,136
Cost of sales		(2,522)	(1,723)	(1,539)
Gross profit		**3,864**	**2,667**	**2,597**
Sales and marketing expenses		(1,280)	(938)	(798)
General and administrative expenses		(1,432)	(985)	(858)
Other operating expenses		(236)	(178)	(122)
Other operating income		8	17	19
Operating profit	10,11	**924**	**583**	**838**
Interest expense		(426)	(267)	(206)
Interest and other financial income		22	20	12
Revaluation of previously held interest	4	2,250	–	9
Other non-operating income (expenses), net	14	211	(134)	12
Income (loss) from joint ventures and associates, net	5,7,8	55	210	207
Profit before tax from continuing operations		**3,036**	**412**	**872**
(Charge) credit for taxes	15	(256)	(144)	(360)
Profit for the year from continuing operations		**2,780**	**268**	**512**
Profit (loss) for the year from discontinued operations, net of tax	5	21	(63)	(8)
Net profit for the year		**2,801**	**205**	**504**
Attributable to:				
Equity holders of the Company		2,643	229	508
Non-controlling interests		158	(24)	(4)
Earnings per share for the year	16			
(US$ per common share)				
Basic earnings per share				
– from continuing operations attributable to equity holders		26.22	2.93	5.10
– from discontinued operations attributable to equity holders		0.21	(0.63)	(0.08)
– for the year attributable to equity holders		26.43	2.30	5.02
Diluted earnings per share				
– from continuing operations attributable to equity holders		26.21	2.93	5.09
– from discontinued operations attributable to equity holders		0.21	(0.63)	(0.08)
– for the year attributable to equity holders		26.42	2.30	5.01

(i) Restated for discontinued operations (see note 5) and changes in accounting standards (see note 2.1)

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

Millicom International Cellular S.A.

Consolidated statement of comprehensive income for the year ended December 31, 2014

	Notes	2014	2013 (restated)(i)	2012 (restated)(i)
		US$ millions	US$ millions	US$ millions
Net profit for the year		2,801	205	504
Other comprehensive income (loss) (to be reclassified to profit and loss in subsequent periods):				
Exchange differences on translating foreign operations(ii)		(380)	(73)	(55)
Cash flow hedges	31	1	7	(2)
Other comprehensive income (loss) (that will not be reclassified to profit and loss in subsequent periods) net of tax:				
Changes in pension obligations	13	1	–	–
Total comprehensive income for the year		**2,423**	**139**	**447**
Attributable to:				
Equity holders of the Company		2,433	182	469
Non-controlling interests		(10)	(43)	(22)

(i) Restated for discontinued operations (see note 5) and changes in accounting standards (see note 2.1)

(ii) Exchange differences on translating foreign operations arising from discontinued and disposed operations were not significant

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

Millicom International Cellular S.A.

Consolidated statement of financial position as at December 31, 2014

	Notes	2014	2013 (restated)(i)	January 1, 2013 (restated)(i)
		US$ millions	US$ millions	US$ millions
ASSETS				
Non-Current Assets				
Intangible assets, net	17	5,503	2,458	2,331
Property, plant and equipment, net	18	4,631	2,771	2,754
Investments in joint ventures	7	89	327	320
Investments in associates	8	185	122	193
Pledged deposits	19	2	–	45
Deferred tax assets	15	294	312	259
Call option	27	74	–	–
Other non-current assets		113	83	85
Total Non-Current Assets		**10,891**	**6,073**	**5,987**
Current Assets				
Inventories		152	122	72
Trade receivables, net	20	492	282	288
Amounts due from non-controlling interests, associates and joint venture partners	32	212	67	–
Prepayments and accrued income		283	156	134
Current income tax assets		150	56	37
Supplier advances for capital expenditure		64	51	33
Advances to non-controlling interest	32	88	69	56
Other current assets		103	77	122
Pledged deposits	19	6	817	8
Restricted cash	21	128	80	41
Cash and cash equivalents	22	694	909	1,155
Total Current Assets		**2,372**	**2,686**	**1,946**
Assets held for sale	5	34	14	21
TOTAL ASSETS		**13,297**	**8,773**	**7,954**

(i) Restated for changes in accounting standards (see note 2.1)

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

Millicom International Cellular S.A.

Consolidated statement of financial position as at December 31, 2014 (continued)

	Notes	2014	2013 (restated)(i)	January 1, 2013 (restated)(i)
		US$ millions	US$ millions	US$ millions
EQUITY AND LIABILITIES				
EQUITY				
Share capital and premium	23	639	640	642
Treasury shares		(160)	(172)	(198)
Put option reserve	24	(2,513)	(737)	(737)
Other reserves	25	(388)	(185)	(133)
Retained profits		2,121	2,154	1,942
Profit for the year attributable to equity holders		2,643	229	508
Equity attributable to owners of the Company		**2,342**	**1,929**	**2,024**
Non-controlling interests	6	1,405	152	312
TOTAL EQUITY		**3,747**	**2,081**	**2,336**
LIABILITIES				
Non-current Liabilities				
Debt and financing	26	4,467	3,504	2,344
Derivative financial instruments	31	43	23	4
Amount due to associates and joint venture partners	32	31	1	–
Provisions and other non-current liabilities	27	259	150	113
Deferred tax liabilities	15	176	183	176
Total non-current liabilities		**4,976**	**3,861**	**2,637**
Current Liabilities				
Debt and financing	26	362	423	643
Put option liabilities	27	2,260	792	730
Payables and accruals for capital expenditure		371	424	371
Other trade payables		386	239	232
Amounts due to non-controlling interests, associates and joint venture partners	32	4	84	186
Accrued interest and other expenses		501	369	306
Current income tax liabilities		143	147	157
Provisions and other current liabilities	27	545	351	351
Total current liabilities		**4,572**	**2,829**	**2,976**
Liabilities directly associated with assets held for sale	5	2	2	5
TOTAL LIABILITIES		**9,550**	**6,692**	**5,618**
TOTAL EQUITY AND LIABILITIES		**13,297**	**8,773**	**7,954**

(i) Restated for changes in accounting standards (see note 2.1)

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

Millicom International Cellular S.A.

Consolidated statement of cash flows for the year ended December 31, 2014

	Notes	2014	2013 (restated)(i)	2012 (restated)(i)
		US$ millions	US$ millions	US$ millions
Cash flows from operating activities				
Profit before taxes from continuing operations		**3,036**	**412**	**872**
Profit (loss) for the period from discontinued operations	5	21	(63)	(8)
Profit before tax		**3,057**	**349**	**864**
Adjustments to reconcile to net cash:				
Interest expense		426	267	206
Interest and other financial income		(22)	(20)	(12)
Adjustments for non-cash items:				
Depreciation and amortization	9,10,17,18	1,158	786	727
Share of (gain) loss from joint ventures, net	7	8	(219)	(229)
Loss (gain) on disposal and impairment of assets, net	9,17,18	15	29	1
Share-based compensation	12	22	17	22
Revaluation of previously held interests	4	(2,250)	–	(9)
(Income) loss from associates, net	8	(67)	9	22
Other non-operating (income) expenses, net		(235)	134	(12)
Decrease (increase) in trade receivables, prepayments and other current assets		59	41	173
(Increase) in inventories		(2)	(58)	(9)
Increase in trade and other payables		–	56	190
Changes in working capital(ii)		**57**	**39**	**354**
Interest paid		(350)	(214)	(156)
Interest received		19	16	9
Tax paid		(380)	(277)	(252)
Net cash provided by operating activities	5	**1,458**	**916**	**1,535**
Cash flows from (used in) investing activities:				
Acquisition of subsidiaries and non-controlling interests, net of cash acquired	4	46	(3)	(166)
Proceeds from disposal of subsidiaries and non-controlling interests	5	175	(1)	(1)
Purchase of intangible assets, including licenses	17	(184)	(400)	(166)
Proceeds from sale of intangible assets		7	–	2
Purchase of property, plant and equipment	18	(1,128)	(632)	(704)
Proceeds from sale of property, plant and equipment		13	60	115
(Increase) / decrease of pledged deposits	19	800	(800)	–
Net increase in restricted cash	21	(48)	(39)	(23)
Loans to associates		(3)	(20)	(31)
Cash (used in) provided by other investing activities, net		46	(43)	(52)
Net cash used in investing activities	5	**(276)**	**(1,878)**	**(1,026)**
Cash flows from (used in) financing activities:				
Proceeds from the 6.875% Guatemala bond	19,26	779	–	–
Proceeds from 6.625% bond	19,26	–	800	–
Short term loans to other non-controlling interests		–	–	(24)
Purchase of treasury shares		–	–	(190)
Payment of liabilities from UNE merger	4	(860)	–	–
Proceeds from debt and other financing	26	569	1,163	1,428
Repayment of debt and financing	26	(1,182)	(1,110)	(842)
Advances for, and dividend payments to non-controlling interests	32	(300)	(46)	–
Payment of dividends to equity holders	28	(264)	(264)	(541)
Cash (used in) provided by other financing activities, net		(110)	172	–
Net cash (used in) from financing activities	5	**(1,368)**	**715**	**(169)**
Exchange gains (losses) on cash and cash equivalents		(29)	1	2
Net increase (decrease) in cash and cash equivalents		**(215)**	**(246)**	**342**
Cash and cash equivalents at the beginning of the year (restated)		909	1,155	813
Cash and cash equivalents at the end of the year		**694**	**909**	**1,155**

(i) Restated for discontinued operations (see note 5) and changes in accounting standards (see note 2.1)

(ii) Excludes working capital balances acquired through business combinations (note 4) totaling $57 million of inventory, $378 million of trade receivables, prepayments and other current assets, and $232 million of trade and other payables

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

Millicom International Cellular S.A.

Consolidated statement of changes in equity for the year ended December 31, 2014

	Attributable to equity holders										
	Number of shares	Number of shares held by the Group	Share Capital(i)	Share Premium(i)	Treasury shares	Retained profits(ii)	Put option reserve(iii)	Other reserves(iv)	Total Equity Holder's interests	Non-controlling interests	Total equity
	'000	'000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance on January 1, 2012 (restated)(x)	104,939	(3,507)	157,407	505,120	(378,359)	2,811,130	(737,422)	(103,492)	2,254,384	191,170	2,445,554
Profit for the year	–	–	–	–	–	*508,306*	–	–	*508,306*	*(4,718)*	*503,588*
Cash flow hedge reserve movement	–	–	–	–	–	–	–	*(1,118)*	*(1,118)*	*(85)*	*(1,203)*
Currency translation differences	–	–	–	–	–	–	–	*(37,709)*	*(37,709)*	*(17,530)*	*(55,239)*
Total comprehensive income for the year	–	–	–	–	–	508,306	–	(38,827)	469,479	(22,333)	447,146
Dividends(v)	–	–	–	–	–	(541,133)	–	–	(541,133)	–	(541,133)
Purchase of treasury shares	–	(2,106)	–	–	(189,619)	–	–	–	(189,619)	–	(189,619)
Cancellation of treasury shares	(3,200)	3,200	(4,800)	(15,000)	344,377	(324,577)	–	–	–	–	–
Share-based compensation(vi)	–	–	–	–	–	–	–	21,929	21,929	–	21,929
Issuance of shares under the LTIPs(vi)	–	237	–	(1,106)	25,453	(11,926)	–	(12,421)	–	–	–
Non-controlling interests in Online businesses(vii)	–	–	–	–	–	–	–	–	–	160,321	160,321
Dividend to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(16,969)	(16,969)
Change in scope of consolidation(viii)	–	–	–	–	–	8,658	–	–	8,658	–	8,658
Balance on December 31, 2012 (restated)(x)	**101,739**	**(2,176)**	**152,607**	**489,014**	**(198,148)**	**2,450,458**	**(737,422)**	**(132,811)**	**2,023,698**	**312,189**	**2,335,887**
Profit for the year	–	–	–	–	–	*229,147*	–	–	*229,147*	*(24,547)*	*204,600*
Cash flow hedge reserve movement	–	–	–	–	–	–	–	*6,857*	*6,857*	*182*	*7,039*
Currency translation differences	–	–	–	–	–	–	–	*(53,903)*	*(53,903)*	*(19,068)*	*(72,971)*
Total comprehensive income for the year	–	–	–	–	–	229,147	–	(47,046)	182,101	(43,433)	138,668
Dividends(v)	–	–	–	–	–	(263,627)	–	–	(263,627)	–	(263,627)
Purchase of treasury shares	–	(44)	–	–	(3,702)	–	–	–	(3,702)	–	(3,702)
Shares issued via the exercise of stock options	–	90	–	(343)	8,166	(4,796)	–	(3,027)	–	–	–
Share-based compensation(vi)	–	–	–	–	–	–	–	16,871	16,871	–	16,871
Issuance of shares under the LTIPs(vi)	–	235	–	(1,106)	21,313	(1,104)	–	(19,103)	–	–	–
Change in scope of consolidation(viii)	–	–	–	–	–	1,391	–	–	1,391	(91,834)	(90,443)
Change in deferred tax liabilities(ix)	–	–	–	–	–	(28,000)	–	–	(28,000)	–	(28,000)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(24,872)	(24,872)
Balance on December 31, 2013 (restated)(x)	**101,739**	**(1,895)**	**152,607**	**487,565**	**(172,371)**	**2,383,469**	**(737,422)**	**(185,116)**	**1,928,732**	**152,050**	**2,080,782**

(i) Share Capital and Share Premium – see note 23.

(ii) Retained Profits – includes profit for the year attributable to equity holders, of which $41 million; (2012: $38 million) are not distributable to equity holders.

(iii) Put option reserve – see note 24.

(iv) Other reserves – see note 25.

(v) Dividends – see notes 28.

(vi) Share-based compensation – see note 12.

(vii) Acquisition/disposal of Online businesses – see note 4.

(viii) Change in scope of consolidation – see note 4.

(ix) Change in deferred tax liabilities – see note 15.

(x) Restated for changes in accounting standards (see note 2.1)

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

Millicom International Cellular S.A.

Consolidated statement of changes in equity for the year ended December 31, 2014 (continued)

	Attributable to equity holders										
	Number of shares	Number of shares held by the Group	Share Capital(i)	Share Premium(i)	Treasury Shares	Retained profits(ii)	Put option reserve(iii)	Other reserves(iv)	Total Equity Holder's interests	Non-controlling interests	Total equity
	'000	'000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance on January 1, 2014	**101,739**	**(1,895)**	**152,607**	**487,565**	**(172,371)**	**2,383,469**	**(737,422)**	**(185,116)**	**1,928,732**	**152,050**	**2,080,782**
Profit for the year	–	–	–	–	–	*2,642,730*	–	–	*2,642,730*	*157,570*	*2,800,300*
Cash flow hedge reserve movement	–	–	–	–	–	–	–	*1,216*	*1,216*	–	*1,216*
Currency translation differences	–	–	–	–	–	–	–	*(212,533)*	*(212,533)*	*(167,239)*	*(379,772)*
Changes in pension obligations	–	–	–	–	–	–	–	1,414	1,414		1,414
Total comprehensive income for the year	–	–	–	–	–	2,642,730	–	(209,903)	2,432,827	(9,669)	2,423,158
Dividends(v)	–	–	–	–	–	(263,978)	–	–	(263,978)	–	(263,978)
Purchase of treasury shares	–	(26)	–	–	(2,548)	–	–	–	(2,548)	–	(2,548)
Share-based compensation(vi)	–	–	–	–	–	–	–	22,411	22,411	–	22,411
Issuance of shares under the LTIPs(vi)	–	165	–	(760)	14,991	1,011	–	(15,227)	15	–	15
Dividend to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(193,845)	(193,845)
Change in scope of consolidation(vii)	–	–	–	–	–	–	–	–	–	1,461,000	1,461,000
Deconsolidation of Online businesses(viii)	–	–	–	–	–	–	–	–	–	(4,386)	(4,386)
Put option(iii)	–	–	–	–	–	–	(1,775,078)	–	(1,775,078)	–	(1,775,078)
Balance on December 31, 2014	**101,739**	**(1,756)**	**152,607**	**486,805**	**(159,928)**	**4,763,232**	**(2,512,500)**	**(387,835)**	**2,342,381**	**1,405,150**	**3,747,531**

(i) Share Capital and Share Premium – see note 23.

(ii) Retained Profits – includes profit for the year attributable to equity holders, of which $285 million are not distributable to equity holders.

(iii) Put option reserve – see note 24.

(iv) Other reserves – see note 25.

(v) Dividends – see note 28.

(vi) Share-based compensation – see note 12.

(vii) Change of scope of consolidation – see note 4.

(viii) Deconsolidation of Online business – see note 5.

The accompanying notes are an integral part of these consolidated financial statements

Millicom International Cellular S.A.

Notes to the consolidated financial statements as at and for the year ended December 31, 2014

1. Corporate information

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

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, the Democratic Republic of Congo ("DRC"), Ghana, Rwanda, Senegal and Tanzania).

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

Millicom has investments in online / e-commerce businesses in several countries in Latin America and Africa, and various investments in start-up businesses in providing e-payments, content and educational services to its mobile and cable customers.

The Company's shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

On March 2, 2015 the Board of Directors ("Board") authorized these consolidated financial statements for issuance. The approval will be submitted for ratification by the shareholders at the Annual General Meeting on May 15, 2015.

2. Summary of consolidation and accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group ("financial statements") are presented in US dollars and amounts are rounded to the nearest million (US$ million) except where otherwise indicated. The financial statements have been prepared on a historical cost basis, except for certain items including derivative financial instruments, call options and debt financing (measured at fair value), financial instruments that contain obligations to purchase own equity instruments (measured at the present value of the redemption price), and property, plant and equipment under finance leases (initially measured at the lower of fair value and present value of the future minimum lease payments).

In accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the financial statements for the year ended December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The preparation of financial statements in conformity with IFRS requires management to use judgment in applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect 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. These estimates are

2. Summary of consolidation and accounting policies (continued)

based on management's best knowledge of current events and actions, and 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 financial statements are disclosed in note 3.

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on January 1, 2014 which have had a material impact on the Group:

- Scope of the reporting entity, a group of standards comprising IFRS 10, 'Consolidated financial statements' (which replaces all of the guidance on control and consolidation in IAS 27, 'Consolidated and separate financial statements', and SIC-12, 'Consolidation – special purpose entities'), IFRS 11 'Joint Arrangements'; IFRS 12, 'Disclosure of interests in other entities'; and consequential amendments to IAS 28, 'Investments in associates'.

  As a result of adoption of these standards and amendments, other than IFRS 11, there was no significant impact for the Group. IFRS 11 required Millicom to change its accounting for its joint ventures from January 1, 2014 from proportionate consolidation to equity accounting. Accordingly Millicom's joint ventures in 2012 and 2013 (Guatemala and Mauritius) have been shown as equity accounted in the comparative information presented in these financial statements.

  From January 1, 2014 Mauritius has been equity accounted for until July 15, 2014, the date on which Millicom reached agreement to sell Mauritius and consequently ended its joint control (see note 5).

  Millicom obtained control of the Guatemalan operation from January 1, 2014 (see note 4).

2. Summary of consolidation and accounting policies (continued)

The impact of applying IFRS 11 on comparative information presented in these financial statements was as follows:

Income Statements (US$ millions) Movement in:	Year ended December 31, 2013	Year ended December 31, 2012
Revenue	(686)	(665)
Cost of sales	194	176
Gross profit	**(492)**	**(489)**
Sales and marketing expenses	117	116
General and administrative expenses	114	98
Other operating expenses	1	–
Other operating income	–	–
Operating profit	**(260)**	**(275)**
Interest expense	9	14
Interest and other financial income	(4)	(2)
Other non-operating income (expenses), net	(2)	1
Income (loss) from joint ventures and associates, net	219	229
Profit before tax from continuing operations	**(38)**	**(33)**
(Charge) credit for taxes	38	33
Profit for the year from continuing operations	**–**	**–**
Profit for the year from discontinued operations, net of tax	–	–
Net profit for the year	**–**	**–**
Attributable to:		
Equity holders of the Company	–	–
Non-controlling interests	–	–

2. Summary of consolidation and accounting policies (continued)

Statements of Financial Position (US$ millions) Movement in:	At December 31, 2013	At December 31, 2012
ASSETS		
Non-Current Assets		
Intangible assets, net	(85)	(88)
Property, plant and equipment, net	(392)	(354)
Investments in joint ventures	327	320
Investments in associates	–	–
Pledged deposits	(1)	(1)
Deferred tax assets	(1)	(1)
Call option	–	–
Other non-current assets	–	(1)
Total Non-Current Assets	**(152)**	**(125)**
Current Assets		
Inventories	(18)	(21)
Trade receivables, net	(38)	(34)
Amounts due from non-controlling interests, associates and joint venture partners	(98)	(25)
Prepayments and accrued income	(7)	(6)
Current income tax assets	(2)	(2)
Supplier advances for capital expenditure	(12)	(12)
Advances to non-controlling interest	–	–
Other current assets	(13)	(12)
Pledged deposits	–	–
Restricted cash	(2)	(1)
Cash and cash equivalents	(32)	(19)
Total Current Assets	**(222)**	**(132)**
Assets held for sale	–	–
TOTAL ASSETS	**(374)**	**(257)**

2. Summary of consolidation and accounting policies (continued)

Statements of Financial Position (US$ millions) Movement in:	At December 31, 2013	At December 31, 2012
EQUITY AND LIABILITIES		
EQUITY		
Share capital and premium	–	–
Treasury shares	–	–
Put option reserve	–	–
Other reserves	–	–
Retained profits	–	–
Profit for the year attributable to equity holders	–	–
Equity attributable to owners of the Company	**–**	**–**
Non-controlling interests	**–**	**–**
TOTAL EQUITY	**–**	**–**
LIABILITIES		
Non-current Liabilities		
Debt and financing	(182)	(222)
Derivative financial instruments	–	–
Amount due to associates and joint ventures partners	(1)	–
Provisions and other non-current liabilities	(11)	(14)
Deferred tax liabilities	(5)	(4)
Total non-current liabilities	**(199)**	**(240)**
Current Liabilities		
Debt and financing	(48)	(50)
Put option liability	–	–
Payables and accruals for capital expenditure	(29)	(40)
Other trade payables	(38)	(27)
Amounts due to associates and joint venture partners	(3)	167
Accrued interest and other expenses	(24)	(35)
Current income tax liabilities	(6)	(4)
Provisions and other current liabilities	(27)	(28)
Total current liabilities	**(175)**	**(17)**
Liabilities directly associated with assets held for sale	–	–
TOTAL LIABILITIES	**(374)**	**(257)**
TOTAL EQUITY AND LIABILITIES	**(374)**	**(257)**

2. Summary of consolidation and accounting policies (continued)

Statements of Cash Flows (US$ millions) Movement in:	At December 31, 2013	At December 31, 2012
Cash flows from operating activities		
Profit before taxes from continuing operations	(38)	(33)
Profit (loss) for the period from discontinued operations	–	
Profit before tax	(38)	(33)
Adjustments to reconcile to net cash:		
Interest expense	(9)	(14)
Interest and other financial income	3	2
Revaluation of previously held interests	–	
Other non-operating (income) expenses, net	1	1
Adjustments for non-cash items:		
Depreciation and amortization	(89)	(84)
(Income) loss from joint ventures, net	(219)	(229)
Share of (gain) loss from associates, net	–	–
Loss (gain) on disposal and impairment of assets, net	–	(5)
Share-based compensation	–	–
Decrease (increase) in trade receivables, prepayments and other current assets	3	275
(Increase) in inventories	(3)	5
Increase in trade and other payables	1	(11)
Changes in working capital	**1**	**269**
Interest paid	13	13
Interest received	(3)	(1)
Tax paid	46	31
Net cash provided by operating activities	**(294)**	**(50)**
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries and non-controlling interests, net of cash acquired	1	6
Proceeds from disposal of subsidiaries and non-controlling interests	(1)	(1)
Purchase of intangible assets, including licenses	2	(7)
Proceeds from sale of intangible assets	–	–
Purchase of property, plant and equipment	126	138
Proceeds from sale of property, plant and equipment	–	–
Disposal of pledged deposits, net	–	–
(Increase) / decrease of pledged deposits	–	–
Disposal of time deposits, net	–	–
Net increase in restricted cash	–	–
Loans to associates	–	–
Cash (used in) provided by other investing activities, net	14	(21)
Net cash used in investing activities	**142**	**115**
Cash flows from (used in) financing activities:		
Proceeds from the 6.875% Guatemala bond	–	–
Proceeds from 6.625% bond	–	–
Short term loans to other non-controlling interests	–	–
Proceeds from issuance of shares	–	–
Purchase of treasury shares	–	–
Payment of liabilities from the UNE merger	–	–
Proceeds from debt and other financing	(16)	(117)
Repayment of debt and financing	58	81
Advances for and dividend payments to non-controlling interests	–	–
Payment of dividends to equity holders	–	–
Cash (used in) provided by other financing activities, net	97	–
Net cash (used in) from financing activities	**139**	**(36)**
Exchange gains (losses) on cash and cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	(13)	29
Cash and cash equivalents at the beginning of the year	(19)	(48)
Cash and cash equivalents at the end of the year	(32)	(19)

2. Summary of consolidation and accounting policies (continued)

There was no impact of IFRS 11 on the basic and diluted EPS or internal management reporting and therefore segment information in note 9.

The following standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after January 1, 2014 but have not had a material impact on the Group:

- Amendment to IAS 32, 'Financial Instruments: Presentation', which updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify certain requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Group adopted the amendment on its effective date for the accounting period beginning on January 1, 2014. There was no significant impact on the Group as a result of adoption.
- Amendment to IAS 36, 'Impairment of Assets', which amends certain disclosure requirements regarding disclosure of recoverable amounts and measurement of fair value less costs to sell when an impairment loss has been recognized or reversed. There was no significant impact on the Group as a result of adoption.
- Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement', which covers novation of hedging instruments to central counterparties. There was no impact on the Group as a result of adoption.
- IFRIC 21, 'Levies', which provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', and those where the timing and amount of the levy is certain. There was no significant impact on the Group as a result of adoption.
- Amendment to IFRS 13, Fair Value Measurement', which sets out in a single IFRS a framework for measuring fair value and requires additional disclosures about fair value measurements. Application of IFRS 13 has not materially impacted the fair value measurements of the Group.

New standards and interpretations not yet adopted by the Group

The following standards, amendments and interpretations issued are not effective for the financial year beginning January 1, 2014 and have not been early adopted.

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the compulsory adoption date of January 1, 2018 (subject to endorsement by the EU).

2. Summary of consolidation and accounting policies (continued)

- IFRS 15, 'Revenue from Contracts with Customers', which establishes a five step model related to revenue from customers. Under IFRS 15 revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled in exchange for transferring products or services to a customer. The Group is yet to assess IFRS 15's full impact and intends to adopt IFRS 15 no later than the compulsory adoption date of January 1, 2017 (subject to endorsement by the EU).

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

2.2 Consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

The acquisition method of accounting is used to account for acquisitions where there is a change in control. The cost of an acquisition is measured at 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 fair value on acquisition date, irrespective of the extent of any non-controlling interest. The excess of cost of acquisition over the fair value of the 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 subsidiary acquired, the difference is recognized directly in the income statement (see policy note 2.6 on Goodwill). All acquisition related costs are expensed as incurred.

Subsidiaries

Subsidiaries are all entities (including structured entities) which the Group controls. Control is achieved when the Group is exposed to, or has rights to, variable returns from its investment in the subsidiary, and has the ability to affect those returns through its power over the subsidiary. Generally control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights, and the existence of any other special relationships) are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. They are de-consolidated from the date that control ceases.

Non-controlling interests

Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

2. Summary of consolidation and accounting policies (continued)

Joint operations

Joint operations are all entities whereby its equity holders have joint control of the arrangement and share rights to the assets, and obligations for the liabilities, relating to the operation of the entity. Joint operations are consolidated in proportion to the Group's shareholding or rights.

Joint ventures and associates

Joint ventures are all entities over which the Group has joint control of the arrangement and has rights to the net assets of the joint venture. Joint control exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Millicom determines the existence of joint control by reference to joint venture agreements, articles of association, structures and voting protocols of the Boards of Directors of those ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures and associates are accounted for using the equity method of accounting and are initially recognized at cost or carrying value (see policy note 2.1 Changes in Accounting Policies, for a change in accounting for joint ventures applicable from January 1, 2014). The Group's investments in associates and joint ventures includes goodwill (net of any accumulated impairment loss) on acquisition.

The cost of shares acquired in associates from sale and lease back transactions with tower companies are initially measured based on the fair values of the towers sold. The fair value of the towers sold is derived by using the estimated replacement cost of the towers adjusted by an amount for wear and tear taking into consideration the average age of the towers.

The Group's share of post-acquisition profits or losses of joint ventures and associates is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates or joint ventures.

Gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates and joint ventures are recognized in the income statement.

2.3 Foreign currency translation

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associate reflects the economic substance of the underlying events and circumstances of these entities. The Company is

2. Summary of consolidation and accounting policies (continued)

located in Luxembourg and its subsidiaries, joint ventures and associates are located in various countries and operate in different currencies. The Group's consolidated financial statements are presented in US dollars (the "presentation currency").

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

Translation into presentation currency

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary functional currency) with functional currency other than the US dollar presentation currency are translated into the presentation currency 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 ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are recorded in equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on sale.

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

2. Summary of consolidation and accounting policies (continued)

The following table presents currency translation rates for the Group's most significant operations to the US dollar on December 31, 2014 and 2013 and average rates for the year ended December 31, 2014.

Country	Currency	2014 Average rate	2014 Year-end rate	2013 Year-end rate
Bolivia	Boliviano (BOB)	6.91	6.91	6.91
Chad and Senegal	CFA Franc (XAF)	497.83	544.28	477.45
Colombia	Peso (COP)	2,010.84	2,392.46	1,926.83
Costa Rica	Costa Rican Colon (CRC)	543.53	545.53	507.90
Ghana	Cedi (GHS)	2.88	3.20	2.16
Guatemala	Quetzal (GTQ)	7.73	7.60	7.84
Honduras	Lempira (HNL)	21.06	21.59	20.67
Luxembourg	Euro (EUR)	0.76	0.83	0.73
Nicaragua	Cordoba (NIO)	25.96	26.60	25.33
Paraguay	Guarani (PYG)	4.484.23	4,629.00	4,585.00
Rwanda	Rwandan Franc (RWF)	685.90	694.37	676.00
Sweden	Krona (SEK)	6.89	7.84	6.42
Tanzania	Shilling (TZS)	1,663.11	1,725.79	1,590.00
United Kingdom	Pound (GBP)	0.61	0.64	0.60

The effect of exchange rate changes on cash and cash equivalents held or due in foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and end of the year. Millicom's functional currency in both El Salvador and DRC is the US dollar.

2.4 Segment reporting

Management determines operating and reportable segments based on the reports that are used by the Chief Operating Decision Maker ("CODM") to make strategic and operational decisions from both a business and a geographic perspective. The Group's risks and rates of return for its operations are predominantly affected by operating in different geographical regions. The businesses are predominantly organized and managed according to the selected geographical regions. These regions (Central America, South America, and Africa), represent the basis for evaluation of past performance and for future allocation of resources.

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to 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 or lease period, if shorter
Other	2 to 7 years

2. Summary of consolidation and accounting policies (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 its carrying amount is greater than its estimated recoverable amount.

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

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 Group and the cost of the item can be measured reliably. Ongoing routine 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.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises, is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

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 contribute to future economic benefits for the Group and the costs can be measured reliably.

2.6 Intangible assets

Intangible assets acquired separately are initially recognized 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 but expensed to the income statement in the year in which 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 consolidated income statement in the expense category consistent with the function of the intangible assets.

2. Summary of consolidation and accounting policies (continued)

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, 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 goodwill is initially accounted for using provisional values. Within twelve months of the acquisition date any adjustments to the provisional values are recognized. This is done when 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". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is tested for impairment at least each year and 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 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 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 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 (value in use) and, if appropriate, the fair value less costs to sell of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized for the lower amount.

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.

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

2. Summary of consolidation and accounting policies (continued)

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are not usually included.

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

Programming and content rights

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

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

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

Indefeasible Rights of Use

Indefeasible rights of use ("IRU") agreements are mainly composed of purchase and / or sale of specified infrastructure, purchase and / or sale of lit fibre capacity and exchange of network infrastructure or lit fibre capacity. These arrangements are either accounted for as leases, service contracts, or partly as leases and partly as service contracts. Determination of the appropriate classification depends on an assessment of the characteristics of the arrangements.

2. Summary of consolidation and accounting policies (continued)

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

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

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

If the arrangement is, or contains a lease, the lease is accounted for as either an operating lease or a financial lease (see policy note Leases 2.21). A financial lease of an IRU of network infrastructure is accounted for as a tangible asset. A financial lease of an IRU on capacity is accounted for as an intangible asset.

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

2.7 Impairment of non-financial assets

At each reporting date the Group assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. The 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 consolidated income statement in expense categories consistent with the function of the impaired asset.

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

2. Summary of consolidation and accounting policies (continued)

2.8 Loans and receivables

Loans and receivables 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 those maturing more 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. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2.9 Derecognition of Financial Assets and Liabilities

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- Rights to receive cash flows from the asset have expired; or
- Rights to receive cash flows from the asset or obligations to pay the received cash flows in full without material delay have been transferred to a third party under a 'pass-through' arrangement; and the Group has either transferred:

(a) Substantially all the risks and rewards of the asset; or

(b) Control of the asset.

When rights to receive cash flows from an asset have been transferred or a pass-through arrangement concluded, an evaluation is made if and to what extent the risks and rewards of ownership have been retained. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

2.10 Financial instruments

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. Summary of consolidation and accounting policies (continued)

Financial instruments that contain obligations to purchase own equity instruments

Contracts that contain obligations for the Company to purchase its own equity instruments for cash or other financial assets are initially recorded as financial liabilities based on the present value of the redemption amounts with a corresponding reserve in equity. Subsequently the carrying value of the liability is remeasured at the present value of the redemption amount with changes in carrying value recorded in other non-operating (expenses) income, net. If the contracts expire without delivery, the carrying amounts of the financial liabilities are reclassified to equity.

Financial instruments that contain call options over non-controlling interests

Call option contracts over non-controlling interests that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity.

Contracts over non-controlling interests that require gross cash settlement are also classified as equity instruments. Such call options are initially recognized at fair value and not subsequently remeasured. If a call option is exercised, this initial fair value is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, the fair value of the call option remains within equity.

Call option contracts over non-controlling interests that require net cash settlement or provide a choice of settlement are classified as financial assets.

Contracts over non-controlling interests that require physical settlement of a variable number of own shares for a variable price are classified as financial assets and changes in the fair value are reported in the income statement. If such a call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, its carrying amount is expensed in the income statement.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or

(b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

2. Summary of consolidation and accounting policies (continued)

For transactions designated and qualifying for hedge accounting, at the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the period to maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

The change in fair value of hedging derivatives that are designed and qualify as fair value hedges is recognized in the income statement as finance costs or income. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement as finance costs or income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Gains or loss relating to any ineffective portion is recognized immediately in the income statement within 'other non-operating (expenses) income, net'. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other non-operating (expenses) income, net'.

2.11 Discontinued operations and non-current assets (or disposal groups) held for sale and related liabilities

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value (less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use). Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

Discontinued operations are those with identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic unit which has been disposed of or is available for sale. Revenue and expenses associated with discontinued operations are presented in a separate line in the consolidated income statement. Comparative figures in the consolidated income statement representing the discontinued operations are reclassified to the separate line.

2.12 Inventories

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

2. Summary of consolidation and accounting policies (continued)

2.13 Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in the consolidated income statement within "Cost of sales".

2.14 Deposits

Time deposits

Cash deposits with banks with maturities of more than 3 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. Millicom is unable to access these funds until either the relevant debt is repaid or alternative security is arranged with the lender.

2.15 Restricted cash

Cash held with banks related to mobile financial services which is restricted in use due to local regulations, but typically cycled out of the banking system within three months, is denoted as restricted cash.

2.16 Cash and cash equivalents

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.

2.17 Impairment of financial assets

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

2.18 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases the Company's share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity holders until the shares are cancelled,

2. Summary of consolidation and accounting policies (continued)

reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.19 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

2.20 Financial Guarantee Contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

2.21 Leases

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

Finance leases

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

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

2. Summary of consolidation and accounting policies (continued)

Operating leases

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

Tower sale and leaseback transactions

The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements.

When sale and lease back agreements are concluded, the portions of assets that will not be leased back by Millicom are classified as assets held for sale as completion of their sale is highly probable. Asset retirement obligations related to the towers are classified as liabilities directly associated with assets held for sale.

On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above. The portion of towers being leased back represents the dedicated part of each tower on which Millicom's equipment is located and was derived from the average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses.

2.22 Provisions

Provisions are recognized when the 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

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

2.23 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.

2.24 Revenue recognition

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

2. Summary of consolidation and accounting policies (continued)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Recurring revenue consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees, revenue from online product and service sales, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services. Recurring revenues are recognized on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription products and services are deferred and amortized over the estimated life of the customer relationship. Related costs are also deferred, to the extent of the revenues deferred, and amortized over the estimated life of the customer relationship. The estimated life of the customer relationship is calculated based on historical disconnection percentage for the same type of customer.

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 deferred revenue within "other current liabilities".

Revenue from content services such as video messaging, ringtones, games etc., are recognised net of payments to the providers under certain conditions including if the providers are responsible for the music and other content and determining the price paid by the customer. For such services the Group is considered to be acting in substance as an agent. Other revenue is recognised gross.

Revenue from the sale of handsets and accessories are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Revenue arrangements with multiple service deliverables ("Bundled Offers") such as various services sold together, are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values or on the residual method. Revenue is then recognized separately for each unit of accounting.

Revenue from the sale of online and e-commerce services is recognized as and when the service is provided or on delivery of products to customers, less provision for product returns, based on the amounts expected to be received from customers.

Revenue from sale of capacity is recognized when the capacity has been delivered to the customers, based on the amounts expected to be received from customers.

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

Revenue from provision of mobile financial services is recognized once the primary service has been provided to the customer.

2. Summary of consolidation and accounting policies (continued)

2.25 Cost of sales

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

Cost of sales also includes depreciation and any impairment of network equipment and trade receivables.

2.26 Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to sales and marketing when the customer is activated.

2.27 Employee benefits

Pension and other similar employee related obligations

Pension and other similar employee related obligations can result from either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity No further payment obligations exist once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on maturities of the related pension liability.

Re-measurement of net defined benefit liabilities are recognized in other comprehensive income and not reclassified to the income statement in subsequent years.

Past service costs are recognized in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability

Share based compensation

Share awards are granted to management and key employees.

The cost of equity-settled transactions is based on the fair value (market value) of the shares on grant date. The cost is recognized, together with a corresponding increase in equity, 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

2. Summary of consolidation and accounting policies (continued)

cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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 an equity-settled award 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.

2.28 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 by 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 consolidated income statement. 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. Summary of consolidation and accounting policies (continued)

Withholding tax

Withholding tax on royalties is classified under 'charge / (credit) for taxes'.

3. Significant accounting judgments and estimates

Judgments

Management judgment is applied in application of IFRS accounting policies and accounting treatment in preparation of these 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 (see note 31)
- Leases – determination of whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see notes 18 and 31).
- Control – determination of whether Millicom, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates, or jointly direct the relevant activities of its joint ventures (see notes 4, 6 and 7)
- Discontinued operations and assets held for sale –classification and presentation (see note 5).
- Deferred tax assets – likely timing and level of future taxable profits together with future tax planning strategies (see note 15).
- Acquisitions – 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 (see note 4).
- Financial instruments that contain obligations to purchase own equity instruments – determination of the likelihood of change of control events occurring in assessing the fair value of these instruments (see notes 27 and 34).
- Defined benefit plans – key assumptions related to life expectancies, salary increases and leaving rates (see note 13).

Estimates

Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Due to inherent uncertainties in this evaluation process, actual results may differ from original estimates. 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:

- Accounting for property, plant and equipment, and intangible assets in determining fair values at acquisition dates, particularly for sale and leaseback transactions, and assets acquired in business combinations (see note 4).

3. Significant accounting judgments and estimates (continued)

- Estimation of useful lives of property, plant and equipment and intangible assets (see policy note 2.5).
- Estimation of provisions, in particular provisions for asset retirement obligations, legal and tax risks (see note 27).
- Revenue recognition (see note 9).
- Impairment testing (see note 17).
- Estimates for defined benefit plans (see note 13).
- Accounting for share-based compensation (see note 12).
- Fair value of financial assets and liabilities (see note 34).

4. Acquisitions of subsidiaries, joint ventures and non-controlling interests

Put and Call Agreement related to Guatemalan Operations

Effective January 1, 2014 Millicom's local partner in Guatemala, Miffin Associates Corp ("Miffin") granted Millicom, for a minimum term of two years, an unconditional call option for its 45% stake in the Guatemalan operations ("Comcel"). The call option allows Millicom, unconditionally at any time during the two year period from January 1, 2014 to exercise its right to acquire the 45% stake (and voting rights) of Miffin at a price which Millicom believes represents the strategic value of Comcel. Previously Millicom was dependent on the consent of Miffin for strategic decisions related to Comcel, as the shareholders agreement required a vote of 80% of shares to authorize and approve significant financial and operating policies of Comcel.

In return, Millicom granted Miffin a put option for the same duration, exercisable in the event Millicom sells its 55% interest in Comcel or undergoes a change of control, and consideration of $15 million. A change of control event may occur at Millicom level which is beyond the control of Millicom. Such an event would trigger the ability of our local partner to exercise his put option at his discretion. Therefore, the put option is a financial liability and Millicom recorded a current liability for the present value of the redemption price of the put option of $1,775 million at January 1, 2014 (see note 27) against a corresponding put option reserve in equity (see note 24). Millicom's call option is a financial instrument measured at fair value of $74 million at December 31, 2014.

As a consequence, and in accordance with IFRS 10 'Consolidated Financial Statements' effective January 1, 2014, Millicom fully consolidated Comcel from January 1, 2014. Previously, the results of the Guatemalan operations were proportionately consolidated (see note 2.1 for changes in accounting standards).

Millicom revalued to fair value its 55% interest in Comcel, and recognized a gain of $2,250 million under other non-operating (expenses) income, net. The goodwill is not deductible for tax purposes.

4. Acquisitions of subsidiaries, joint ventures and non-controlling interests (continued)

The fair value of Comcel was determined based on a discounted cash flow calculation. The assets and liabilities recognized as a result of the revaluation were as follows:

	Fair value 100%	Historical value of 55% interest
	US$ millions	US$ millions
Intangible assets (excluding goodwill), net	1,401	84
Property, plant and equipment, net	653	349
Other non-current assets	7	4
Current assets (excluding cash)	332	184
Cash and cash equivalents	54	30
Total assets	**2,447**	**651**
Non-current financial liabilities	324	187
Other long-term liabilities	22	2
Current liabilities	290	160
Total liabilities	**636**	**349**
Fair value of assets and liabilities, net	**1,811**	
Fair value of non-controlling interests (45%)	815	
Fair value of Millicom's 55% interest	**996**	
Fair value of Millicom's call option	**28**	
Goodwill arising on change of control	1,528	
Historical carrying value of Millicom's 55% interest in Comcel	(302)	
Revaluation of previously held interest	**2,250**	

Merger of Colombia Móvil and UNE

On October 1, 2013 Millicom signed an agreement with Empresas Públicas de Medellín E.S.P. ("EPM"), the largest public service company in Colombia, whereby, subject to regulatory approval and closing conditions, the parties will combine and merge their mutual interests in Millicom's Colombian operations ("Colombia Móvil"), with UNE EPM Telecomunicaciones S.A. ("UNE"). UNE is the 2nd largest fixed telephony/broadband/subscription TV provider in Colombia. The statutory merger will create a business offering a comprehensive range of bundled digital services including mobile and fixed telephony, mobile and fixed broadband and pay-TV and offer products and services in complementary geographic areas.

By August 14, 2014 all approvals had been obtained, and steps precedent to Millicom obtaining operational control had been completed.

Through statutory merger of Millicom Spain Cable S.L. (a fully owned subsidiary of Millicom) and UNE, (i) $860 million in cash held by Millicom Spain Cable S.L. ($800 million of which was previously held as pledged deposits) and Millicom's controlling interest into Colombia Móvil were absorbed by UNE and (ii) Millicom obtained 50% -1 stake in UNE. By virtue of the statutory merger from August 14, 2014 Millicom owns a 50% -1 share interest in UNE and has operational control of the merged entity through a majority of voting shares.

Prior to the closing of the transaction, UNE purchased 25% of Colombia Móvil from a third party for $243 million, which was disbursed after August 14, 2014. Accordingly prior to completion of

4. Acquisitions of subsidiaries, joint ventures and non-controlling interests (continued)

the transaction UNE owned 50% -1 share of Colombia Móvil (as it already owned 25% prior to October 1, 2013) and after, 100% of Colombia Movil. Consequently, before and after the transaction, Millicom retained control over Colombia Móvil.

Subsequently, UNE paid dividends to EPM for a total of $617 million, which were declared by UNE before the merger.

For the preliminary purchase accounting, the fair value of UNE was determined based on transaction and relative values. The non-controlling interest has been measured based on the proportionate share of the fair value of the net assets of UNE. Colombia Móvil remained controlled by Millicom before and after the transaction and therefore there was no requirement to re-measure Millicom's investment in Colombia Móvil.

The purchase accounting was updated as additional information became available regarding fair values of acquired assets and liabilities, but remains provisional at December 31, 2014. Items in which further information is expected include the impact of the regulatory requirement to return spectrum, and the impact of the tangible and intangible assets related to the spectrum.

The preliminary goodwill, which comprises the fair value of the assembled work force and expected synergies from the merger, is not expected to be tax deductible.

The assets and liabilities recognized as a result of the acquisition were as follows:

	UNE Group Fair value 100%
	US$ millions
Intangible assets (excluding goodwill), net	297
Property, plant and equipment, net	1,417
Other non-current assets	74
Current assets (excluding cash)	347
Cash and cash equivalents	123
Assets held for sale (see note 5)	22
Total assets	**2,280**
Non-current liabilities	413
Current financial liabilities	608
Total liabilities	**1,021**
Fair value of assets and liabilities acquired, net(i)	**1,259**
Fair value of non-controlling interest(ii)	646
Millicom interest in fair value	613
Goodwill(iii)	**247**

(i) After deducting from equity the $617 million of dividends declared prior to the merger and including the additional 25% ownership acquired by UNE in Colombia Móvil for $243 million from a third party prior to the merger.

(ii) Non-controlling interest in one of UNE's subsidiaries was 60%

(iii) $860 consideration less Millicom's $613 million interest in the fair value of the net assets acquired

The fair value of the trade receivables amounted to $177 million.

4. Acquisitions of subsidiaries, joint ventures and non-controlling interests (continued)

From the date of acquisition to December 31, 2014, UNE contributed $504 million of revenue and loss of $16 million to profit before tax from continuing operations of the Group. If UNE had been acquired on January 1, 2014 incremental revenue for the year would have been $1,369 million and incremental loss for that period of $18 million.

Acquisition related costs included in the income statement under general and administration services were approximately $1 million.

Online Businesses

On December 31, 2012 Millicom held 20% interests in MKC Brilliant Services GmbH ("Latin America Internet Holding" or "LIH") and Africa Internet Holding ("AIH") and unconditional options to acquire the remaining shares in three steps. On this date both AIH and LIH were consolidated as subsidiaries.

By December 31, 2014, as a result of the transactions described below, Millicom held 33% in AIH and accounted for it as a joint venture, and 35% in LIH and accounted for it as an investment in an associate.

Africa Internet Holding GmbH (AIH)

AIH has a number of operating subsidiaries which are owned by Africa e-Commerce Holding ("AEH"). AEH is owned by a number of shareholders with rights that initially prevented AIH from controlling AEH. Millicom's initial investment in AEH was therefore an investment in an associate from Millicom's acquisition date of September 1, 2012.

On March 27, 2013 Millicom exercised its first call option increasing its ownership in AIH from 20% to 35%. As the consideration for this option was not provided in 2013 Millicom was no longer entitled to participate in the returns of AIH related to this incremental 15% in 2013. Accordingly Millicom's ownership in AIH reverted to 20% and remained at 20% at December 31, 2013.

On April 1, 2013 as a result of an agreement with a minority shareholder AIH gained control of AEH which was consolidated by AIH and Millicom from that date.

On December 13, 2013 Millicom, Rocket and Mobile Telephone Networks Holdings (Pty) Limited ("MTN") signed an agreement whereby MTN will invest in the AIH Group such that, following anti-trust and other requisite clearances and closing conditions, each of the three parties will own a 33.33% interest in AIH and together will have joint control over AIH. Under this agreement Millicom's three options to acquire a controlling interest in AIH ended and Millicom deconsolidated AIH by the end of 2013 and accounted for AIH as an investment in an associate.

By June 25, 2014 the requisite clearances had been obtained and Millicom's stake increased from 20% to 33% and Millicom accounted for AIH as a joint venture from that date. MTN's 33.3% stake will be acquired by cash investment in new shares at a price equivalent to 20% more than the investment made by Millicom.

Millicom will pay Euro 35 million for its additional stake of which Euro 10 million had been paid by December 31, 2014. Millicom may invest a further Euro 70 million under the agreement.

4. Acquisitions of subsidiaries, joint ventures and non-controlling interests (continued)

MKC Brilliant Services GmbH (LIH)

On March 27, 2013 Millicom exercised its first call option increasing its ownership in LIH from 20% to 35%. In December 2013 consideration for exercise of the first LIH option of EUR 50 million ($68.5 million) was agreed to be provided at the earlier of when the cash balances of LIH fall below Euro 15 million or September 2014. As the consideration was not provided in 2013 Millicom was no longer entitled to participate in the returns of LIH related to this incremental 15% in 2013. Accordingly Millicom's ownership in LIH reverted to and remained at 20% at December 31, 2013.

On January 20, 2014 Millicom amended its investment agreement with Rocket regarding its share purchase options for LIH. The amendment restricted Millicom's ability to exercise its Third Option to acquire the final 50% of LIH to no earlier than one year after exercising its Second Option to raise its stake from 35% to 50%. Accordingly, from January 20, 2014 Millicom no longer had the ability to exercise its options to acquire a controlling stake in LIH, and deconsolidated the LIH Group. As a consequence, its investment is accounted for as an investment in an associate at fair value of $70 million at that date, and a $15 million gain from discontinued operations was recognized as a result of the loss of control.

In February 2014 Millicom exercised its first option raising its stake from 20% to 35% with the purchase price of Euro 50 million paid during the year. On September 17, 2014 Millicom amended its investment and shareholder agreements related to LIH whereby its option to increase its shareholding from 35% to 50%, and its call option to acquire the remaining 50% of LIH have been cancelled.

Telecable Costa Rica

On December 19, 2014 Millicom signed an agreement to acquire 100% of the shares of Telecable Economico TVE, S.A. a cable operator in Costa Rica, and related intellectual property, for cash consideration of $82.9 million. The acquisition is subject to customary closing conditions (including regulatory approval), and is expected to close during 2015.

Other Minor Acquisitions

During 2014 Millicom made other smaller acquisitions in Rwanda, the UK and Guatemala for total consideration of $19 million. During 2013 Millicom made other smaller acquisitions of cable and television businesses in Guatemala and Bolivia for total consideration of $19 million. During 2012 Millicom increased its ownership in Navega El Salvador from 55% to 100% and completed other minor acquisitions for consideration of $16 million.

Cash inflows from investing activities

Cash inflows and outflows from the acquisition of subsidiaries and investments in joint ventures and associates during the year ended December 31, 2014 were as follows:

	US$ millions
Net cash acquired from full consolidation of Guatemala	39
Net cash acquired from acquisition of UNE	123
Increase in shareholdings (investments) in Online businesses	(79)
Other acquisitions (net of cash acquired)	(37)
Total	**46**

5. Disposal of investments, discontinued operations and assets held for sale

Disposal of investments in joint ventures and associates

Sale of ATC BV and Mauritius (Emtel Ltd)

During the year Millicom's stake in ATC BV was diluted from 40% to 18.2% and in July 2014 Millicom sold its 18.2% stake to American Tower. On July 15, 2014 Millicom reached agreement to sell its 50% investment in Emtel Ltd (its Mauritius joint venture) to its partner in Mauritius. This transaction was completed in November 2014. Prior to sale the carrying values of the investments were as follows:

	% Ownership	Investment US$ millions
Emtel Ltd	50%	29
ATC BV	18.2%	73
Total		**102**

As a result of these dilutions and disposals Millicom received $175 million in cash and recorded a gain on sale of $73 million under 'Income (loss) from joint ventures and associates, net'.

Reduction in shareholding in Helios Towers Tanzania

During the year Millicom reduced its shareholding in its associate Helios Towers Tanzania from 40% to 24.15% realizing a gain on dilution of $6 million.

Discontinued operations

Deconsolidation of AIH and LIH

As described in note 4, during 2013 as a result of the investment agreement with MTN, Millicom deconsolidated AIH (previously reported in the Africa segment), and from January 21, 2014 as a result of an amendment to the shareholders' agreement, Millicom deconsolidated LIH (previously reported in the South America segment).

Consequently, and in accordance with IFRS, the results of the online businesses were classified as discontinued operations:

The results of discontinued operations for the year ended December 31, 2014 are presented below:

	2014	2013	2012
	US$ millions	US$ millions	US$ millions
Revenues	4	83	13
Operating expenses	(6)	(144)	(22)
Operating losses	**(2)**	**(61)**	**(9)**
Loss from associate (AEH)	–	(2)	1
Gain on deconsolidation	23	–	–
Profit (loss) after tax from discontinued operations	**21**	**(63)**	**(8)**

5. Disposal of investments, discontinued operations and assets held for sale (continued)

Cash flows of discontinued operations for the year ended December 31, 2014 are presented below:

	2014	2013	2012
	US$ millions	US$ millions	US$ millions
Cash used in operating activities, net	(2)	(61)	(9)
Cash used in investing activities, net	–	–	–
Cash provided by financing activities, net	–	20	109

There was no cash provided to the Group by discontinued operations for the year ended December 31, 2014.

Assets held for sale

Towers

Between 2009 and 2011 Millicom signed various sale and leaseback agreements with tower companies in Africa and South America whereby Millicom agreed the sale of tower assets and to lease back a dedicated portion of each tower to locate its network equipment in exchange for cash and investments in the tower companies (see note 18). The portions of the assets that will be transferred and that will not be leased back by Millicom are classified as assets held for sale as completion of their sale is highly probable.

At December 31, 2014, towers sold but yet to be transferred to tower companies (assets held for sale) of $12 million related to operations in DRC, Colombia, Ghana and Tanzania (December 31, 2013: $14 million).

Asset retirement obligations related to the towers of $2 million (December 31, 2013: $2 million) are classified as liabilities directly associated with assets held for sale.

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Assets held for sale	12	14	21
Liabilities directly associated with assets held for sale	(2)	(2)	(5)
Net assets directly associated with assets held for sale	**10**	**12**	**16**

4G Spectrum (UNE)

In accordance with the merger approval (see note 4) spectrum to be returned to the Colombian government with carrying value of $22 million at the date of the merger, has been reclassified to assets held for sale.

6. Subsidiaries

At December 31, 2014 Millicom consolidated the following significant subsidiaries:

Name of the company	Country	Holding on December 31, 2014	Holding on December 31, 2013
		% of ownership interest	% of ownership interest
Central America			
Telemovil El Salvador S.A	El Salvador	100.0	100.0
Cable El Salvador S.A. de C.V.	El Salvador	100.0	100.0
Navega.com SA, Succursal El Salvador	El Salvador	100.0	100.0
Comunicaciones Celulares S.A.(i)	Guatemala	55.0	55.0
Navega.com S.A.(i)	Guatemala	55.0	55.0
Telefonica Celular S.A.(i)	Honduras	66.7	66.7
Navega S.A. de CV(i)	Honduras	66.7	66.7
Cable Costa Rica S.A.	Costa Rica	100.0	100.0
South America			
Telefonica Celular de Bolivia S.A.	Bolivia	100.0	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	100.0	100.0
Colombia Movil S.A. E.S.P.(ii)	Colombia	50% - 1 share	50% + 1 share
UNE EPM Telecomunicaciones S.A.(ii)	Colombia	50% - 1 share	0.0
Africa			
Millicom Ghana Company Limited	Ghana	100.0	100.0
Sentel GSM S.A.	Senegal	100.0	100.0
MIC Tanzania Limited	Tanzania	100.0	100.0
Oasis S.A.	Democratic Republic of Congo	100.0	100.0
Millicom Tchad S.A.	Chad	100.0	100.0
Millicom Rwanda Limited	Rwanda	87.5	87.5
Unallocated			
Millicom International Operations S.A.	Luxembourg	100.0	100.0
Millicom International Operations B.V.	Netherlands	100.0	100.0
MIC Latin America B.V.	Netherlands	100.0	100.0
Millicom Africa B.V.	Netherlands	100.0	100.0
Millicom Holding B.V.	Netherlands	100.0	100.0
Millicom Ireland Limited	Ireland	100.0	100.0

(i) Fully consolidated as Millicom has, through its call options (see note 27) the power to affect the variable returns due to shareholder agreements including the process and substance of setting key operating and financial policies.

(ii) Fully consolidated as Millicom has the majority of voting shares to direct the relevant activities.

Application of IFRS 10, 'Consolidated Financial Statements', requires judgment, which in the case of our businesses in Guatemala, Honduras, and Colombia has been applied through considering the legal form and substance of arrangements with our local partners, including such items as the ability and economic interest of our local partners to block or exert more than significant influence over our operations in these countries as well as substance of potential voting rights.

6. Subsidiaries (continued)

At December 31, 2014 the significant non-controlling interests in the subsidiaries were as follows:

Balance sheet	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Guatemala subsidiaries (from January 1, 2014 – see note 4)	805	–	–
Honduras subsidiaries	123	134	143
Colombia Móvil	22	29	26
Colombia – UNE (from August 14, 2014 – see note 4)	480	–	–
Others	(25)	(11)	143
Total	**1,405**	**152**	**312**

Profit (loss) allocated to material non-controlling interests	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Guatemala subsidiaries (from January 1, 2014 – see note 4)	157	–	–
Honduras subsidiaries	23	34	38
Colombia Móvil	2	2	(30)
Colombia – UNE (from August 14, 2014 – see note 4)	(14)	–	–
Others	(10)	(60)	(12)
Total	**158**	**(24)**	**(4)**

The summarized financial information for material non-controlling interests in the above subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

6. Subsidiaries (continued)

As Guatemala subsidiaries comprise several entities, financial information has been disclosed only in respect of Guatemala – Comunicaciones Celulares S.A. ("Comcel") which is the main subsidiary having significant non-controlling interests.

Guatemala – Comunicaciones Celulares S.A. (Comcel) (from January 1, 2014)	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	959	–	–
Total operating expenses	(259)	–	–
Operating profit	432	–	–
Net profit for the year of Comcel	323	–	–
Non-controlling interest in net profit of Comcel (45%)	145	–	–
Non-controlling interest in net profit of Comcel	145		
Non-controlling interest in net profit for other subsidiaries and consolidation adjustments	12	–	–
Total non-controlling interest in net profit for Comcel	**157**		
Dividends and advances paid to non-controlling interests	287	–	–
Total Assets (excluding goodwill)	1,467	–	–
Total Liabilities	1,002	–	–
Net Assets of Comcel	**465**	**–**	**–**
Non-controlling interest in net assets of Comcel (45%)	209	–	–
Non-controlling interests arising from the consolidation of Comcel (note 4)	815		
Dividends declared to non-controlling interests	(153)		
Non-controlling interest for other subsidiaries and consolidation adjustments	(66)	–	–
Total non-controlling interest for Guatemala subsidiaries	805		
Net cash from operating activities	481	–	–
Net cash from (used in) investing activities	(883)	–	–
Net cash from (used in) financing activities	430	–	–
Net increase (decrease) in cash and cash equivalents	**28**	**–**	**–**

6. Subsidiaries (continued)

As Honduras subsidiaries comprise several entities, financial information has been disclosed only in respect of Honduras – Telefónica Celular S.A. which is the main subsidiary having significant non-controlling interests.

Honduras – Telefónica Celular S.A. (Celtel)	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	583	612	661
Total operating expenses	(176)	(172)	(177)
Operating profit	162	186	224
Net profit for the year	49	68	83
Non-controlling interest in net profit of Telefónica Cellular S.A. (33.3%)	16	23	28
Non-controlling interest in net profit of Telefónica Cellular S.A.	16	23	28
Non-controlling interest in net profit for other subsidiaries and consolidation adjustments	7	11	10
Total non-controlling interest in net profit of Celtel	**23**	**34**	**38**
Dividends and advances paid to non-controlling interests	18	25	17
Total Assets (excluding goodwill)	976	928	955
Total Liabilities	571	503	511
Net Assets of Telefonica Cellular S.A.	**405**	**425**	**444**
Non-controlling interest in net assets of Telefónica Cellular S.A. (33.3%)	135	142	148
Non-controlling interest for other subsidiaries and consolidation adjustments	(12)	(8)	(5)
Total non-controlling interest for Honduras subsidiaries	123	134	143
Net cash from operating activities	113	166	231
Net cash from (used in) investing activities	(143)	(95)	(126)
Net cash from (used in) financing activities	22	(86)	(95)
Net increase (decrease) in cash and cash equivalents	**(8)**	**(15)**	**10**

6. Subsidiaries (continued)

Colombia Móvil	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	1,173	969	849
Total operating expenses	(473)	(456)	(378)
Operating profit	157	102	87
Net profit (loss) for the year	4	4	(60)
Non-controlling interest in net profit (loss) (50%)	2	2	(30)
Total Assets (excluding goodwill)	1,047	1,140	1,036
Total Liabilities	1,002	1,082	984
Net Assets	**45**	**58**	**52**
Non-controlling interest in net assets (50%)	22	29	26
Net cash from operating activities	172	146	232
Net cash from (used in) investing activities	(192)	(225)	(133)
Net cash from (used in) financing activities	25	95	(135)
Net increase (decrease) in cash and cash equivalents	**5**	**16**	**(36)**

Colombia – UNE subsidiaries (from August 14, 2014)	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	511	–	–
Total operating expenses	(198)	–	–
Operating loss	(3)	–	–
Net loss for the period since acquisition	(28)	–	–
Non-controlling interest in net loss	(14)	–	–
Total Assets (excluding goodwill)	1,934	–	–
Total Liabilities	855	–	–
Net Assets	**1,079**	**–**	**–**
Non-controlling interest in net assets	539	–	–
Non-controlling interest for consolidation adjustments	(59)		
Total non-controlling interests	**480**		
Net cash from operating activities	106	–	–
Net cash from (used in) investing activities	101	–	–
Net cash from (used in) financing activities	(52)	–	–
Net increase (decrease) in cash and cash equivalents	**155**	**–**	**–**

7. Interests in joint ventures

At December 31, 2014 Millicom equity accounted for the following significant joint venture

Name of the company	Country	Holding on December 31, 2014	Holding on December 31, 2013	Notes
		% of ownership interest	% of ownership interest	
Africa				
AIH	Germany and several African countries	33.3%	20%	Associate at December 31, 2013, joint venture from June 25, 2014 (see note 4)

As a consequence of adoption of IFRS 11 on January 1, 2014, accounting for joint ventures changed from proportionate consolidation to equity accounting. As a result the financial information for Millicom's businesses in Guatemala and Mauritius which were joint ventures in 2013 and 2012 have been equity accounted for those periods in these financial statements (see note 2.1 for more details). Shareholdings of these businesses at December 31, 2014 are shown below (together with prior period comparatives).

Name of the company	Country	Holding on December 31, 2014	Holding on December 31, 2013	Notes
		% of ownership interest	% of ownership interest	
Central America				
Comunicaciones Celulares S.A.	Guatemala	55%	55%	Fully consolidated from January 1, 2014 (see note 4)
Navega.com S.A.	Guatemala	55%	55%	Fully consolidated from January 1, 2014 (see note 4)
Africa				
Emtel Limited	Mauritius	–	50%	Sold on July 15, 2014 (see note 5)

The carrying value of investments in Millicom's joint ventures at December 31, 2014 together with restated comparatives for December 31, 2013, and December 31, 2012 were as follows:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Guatemala	–	302	297
Mauritius	–	25	23
AIH	89	–	–
Total	**89**	**327**	**320**

7. Interests in joint ventures (continued)

At December 31, 2014 the Group has not incurred obligations or made payments on behalf of AIH, and has an obligation to provide an additional Euro 25 million in funding to AIH in accordance with the shareholders agreement.

The revenue and operating expenses of the joint ventures together with the restated share of results were as follows:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	90	1,253	1,213
Total operating expenses	(129)	(775)	(713)
Operating profit (loss)	(39)	478	500
Net profit (loss) for the year / period of joint control	**(42)**	**401**	**415**
Millicom's share of results from joint ventures	(8)	219	229

Total assets and liabilities of the joint venture at December 31, 2014 were as follows:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Total Current Assets	82	406	549
Total Non-Current Assets	7	880	817
Total Assets	**89**	**1,286**	**1,366**
Total Current Liabilities	39	321	342
Total Non-Current Liabilities	1	364	438
Total Liabilities	**40**	**685**	**780**
Net Assets	**49**	**601**	**586**
Millicom's carrying value of its share in joint ventures	89	327	320

8. Investments in associates

At December 31, 2014 Millicom equity accounted for the following investments in associates:

	2014	2013 (restated)	January 1, 2013 (restated)
	% ownership	% ownership	% ownership
Helios Towers Tanzania, DRC and Ghana	24%-40%	40%	40%
ATC Colombia BV (until sold on July 15, 2014 – see note 5)	–	40%	40%
Latin America Internet Holding (from January 21 – see note 4)	35%	20%	20%

The initial cost of the investment stakes in Helios Tower companies in Tanzania, DRC and Ghana were measured at Millicom's interest in the fair value of the tower sites sold to the tower companies (see note 5), after elimination of intercompany gains on sale.

8. Investments in associates (continued)

The following tables contain the summarized financial information for the investments held in associates at the years ended December 31, 2014 and 2013:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	320	163	105
Total operating expenses	(343)	(65)	(79)
Operating profit (loss)	(23)	98	26
Net profit (loss) for the year	**(143)**	**(11)**	**(54)**
Millicom's share of results from associates	(34)	(9)	(22)

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Total Current Assets	198	141	119
Total Non-Current Assets	448	683	493
Total Assets	**646**	**824**	**612**
Total Current Liabilities	126	148	139
Total Non-Current Liabilities	332	379	176
Total Liabilities	**458**	**527**	**315**
Net Assets	**188**	**297**	**297**
Millicom's carrying value of its share in associates	185	122	193

9. Segment information

The Group has businesses in three regions: Central America, South America and Africa. As described in note 2.1 IFRS 11 had no impact on internal management reporting and therefore segment information for the 2013 and 2012 comparative periods has not been restated for Guatemala and Mauritius as equity accounted joint ventures.

9. Segment information (continued)

Revenue, operating profit (loss) and other segment information for the years ended December 31, 2014, 2013 and 2012 is as follows:

December 31, 2014	Central America	South America	Africa	Unallocated items	Total continuing operations	Discontinued operations	Inter-company elimination	Total
								(US$ millions)
Revenue	**2,460**	**2,926**	**1,000**	**–**	**6,386**	**4**	**–**	**6,390**
Operating profit (loss)	**687**	**529**	**(32)**	**(260)**	**924**	**(3)**	**–**	**921**
Add back:								
Depreciation and amortization	450	446	257	5	1,158	–	–	1,158
Loss (gain) of disposal and impairment	16	4	(2)	(3)	15	–	–	15
Loss (gain) from joint venture	–	–	8	–	8	–	–	8
Share based compensation	–	–	–	22	22	–	–	22
Other non-cash items	–	–	(12)	–	(12)	–	–	(12)
Adjusted operating profit(i)	**1,153**	**979**	**219**	**(236)**	**2,115**	**(3)**	**–**	**2,112**
Capital expenditure	(432)	(501)	(360)	(1)	(1,294)	–	–	(1,294)
Changes in working capital	65	–	107	(115)	57			
Other movements	(188)	(108)	2	(84)	(378)			
Operating free cash flow(ii)	**598**	**370**	**(32)**	**(436)**	**500**			
Total Assets(iii)	**7,284**	**4,511**	**1,638**	**1,497**	**14,930**	**–**	**(1,633)**	**13,297**
Total Liabilities	**2,366**	**2,779**	**2,034**	**4,117**	**11,296**	**–**	**(1,746)**	**9,550**

(i) Adjusted operating profit is used by the management to monitor the segmental performance and for capital management (see note 33).

(ii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction.

(iii) Segment assets include goodwill and other intangible assets.

9. Segment information (continued)

December 31, 2013	Central America	South America	Africa	Unallocated items	Total continuing operations	Discontinued operations	Inter-company elimination	Total	Restated amount(iv)	Restated
									(US$ millions)	
Revenue	**1,884**	**2,192**	**1,000**	**–**	**5,076**	**83**	**–**	**5,159**	**(769)**	**4,390**
Operating profit (loss)	**548**	**510**	**(33)**	**(183)**	**842**	**(61)**	**–**	**781**	**(198)**	**583**
Add back:										
Depreciation and amortization	309	302	261	3	875	–	–	875	(89)	786
Loss (gain) of disposal and impairment	1	(7)	51	(16)	29	–	–	29	–	29
Share based compensation	–	–	–	17	17	–	–	17	–	17
Adjusted operating profit(i)	**858**	**805**	**279**	**(179)**	**1,763**	**(61)**	**–**	**1,702**	**(287)**	**1,415**
Capital expenditure	(284)	(588)	(333)	(21)	(1,226)	–	–	(1,226)	116	(1,110)
Changes in working capital	24	(90)	101	3	38					
Other movements	(160)	(30)	50	(56)	(196)					
Operating free cash flow(ii)	**438**	**97**	**97**	**(253)**	**379**					
Total Assets(iii)	**3,442**	**2,576**	**1,959**	**3,044**	**11,021**	**93**	**(1,967)**	**9,147**	**(374)**	**8,773**
Total Liabilities	**1,640**	**2,041**	**2,257**	**2,932**	**8,870**	**30**	**(1,834)**	**7,066**	**(374)**	**6,692**

(i) Adjusted operating profit is used by the management to monitor the segmental performance and for capital management (see note 33).

(ii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction.

(iii) Segment assets include goodwill and other intangible assets.

(iv) Impact of restatement of Guatemala and Mauritius (see policy note 2.1) and reclassification of Online to discontinued operations (see note 5).

9. Segment information (continued)

December 31, 2012	Central America	South America	Africa	Unallocated items	Total continuing operations	Discontinued operations	Inter-company elimination	Total	Restated amount(iv)	Restated
									(US$ millions)	
Revenue	**1,901**	**1,926**	**974**	**–**	**4,801**	**13**	**–**	**4,814**	**(678)**	**4,136**
Operating profit (loss)	**639**	**500**	**122**	**(148)**	**1,113**	**(9)**	**–**	**1,104**	**(266)**	**838**
Add back:										
Depreciation and amortization	320	257	233	1	811	–	–	811	(84)	727
Loss (gain) of disposal and impairment	(1)	–	4	3	6	–	–	6	(5)	1
Share based compensation	–	–	–	22	22	–	–	22	–	22
Adjusted operating profit(i)	**958**	**757**	**359**	**(122)**	**1,952**	**(9)**	**–**	**1,943**	**(355)**	**1,588**
Capital expenditure	(296)	(373)	(430)	(21)	(1,120)	–	–	(1,120)	124	(996)
Changes in working capital	42	3	46	(7)	84					
Other movements	(176)	15	110	3	(48)					
Operating free cash flow(ii)	**528**	**402**	**85**	**(147)**	**868**					
Total Assets(iii)	**3,570**	**2,486**	**1,891**	**1,068**	**9,015**	**277**	**(1,081)**	**8,211**	**(257)**	**7,954**
Total Liabilities	**1,696**	**1,898**	**2,073**	**1,253**	**6,920**	**15**	**(1,060)**	**5,875**	**(257)**	**5,618**

(i) Adjusted operating profit is used by the management to monitor the segmental performance and for capital management (see note 33).

(ii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction.

(iii) Segment assets include goodwill and other intangible assets.

(iv) Impact of restatement of Guatemala and Mauritius (see policy note 2.1) and reclassification of Online to discontinued operations (see note 5).

Revenue from continuing operations by business unit for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	US$ millions	US$ millions	US$ millions
Mobile	4,743	4,233	4,148
Cable & Digital Media	970	435	354
Mobile Financial Services	113	79	40
Telephones and equipment and other	560	329	259
Total before restatement	**6,386**	**5,076**	**4,801**
Restatement	–	(686)	(665)
Restated total	**6,386**	**4,390**	**4,136**

9. Segment information (continued)

Revenue from continuing operations for the years ended December 31, 2014, 2013 and 2012 by country:

	2014	2013	2012
	US$ millions	US$ millions	US$ millions
Guatemala	1,242	641	621
Colombia	1,167	969	849
Paraguay	767	784	649
Honduras	629	656	705
UNE	504	–	–
Bolivia	488	438	429
El Salvador	443	443	443
Tanzania	368	351	345
Chad	180	149	121
Ghana	146	169	162
Costa Rica	138	139	126
Other	314	337	351
Total before restatement	**6,386**	**5,076**	**4,801**
Restatement	–	(686)	(665)
Restated total	**6,386**	**4,390**	**4,136**

10. Analysis of operating profit

The Group's operating income and expenses from continuing operations by nature of expense is as follows:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Revenue	6,386	4,390	4,136
Cost of services rendered and goods sold	(1,694)	(1,113)	(1,006)
Depreciation and amortization (notes 9, 17 and 18)	(1,158)	(786)	(727)
Dealer commissions	(525)	(384)	(369)
Employee related costs (note 11)	(607)	(422)	(339)
Sites and network maintenance	(336)	(205)	(186)
Advertising and promotion (including phone subsidies)	(403)	(335)	(266)
External services	(301)	(205)	(156)
Operating lease expense (note 31)	(180)	(111)	(93)
Gain (loss) on disposal and impairment of assets, net (notes 17, 18)	(15)	(29)	(1)
Other income	8	17	19
Other expenses	(251)	(234)	(174)
Operating profit	**924**	**583**	**838**

10. Analysis of operating profit (continued)

The following table summarizes the aggregate amounts paid to Millicom's auditors for the years ended December 31, 2014, 2013 and 2012.

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Audit fees	5.1	5.0	4.4
Audit related fees	0.2	–	–
Tax fees	0.4	0.2	0.2
Other fees	0.6	0.1	0.8
Total	**6.3**	**5.3**	**5.4**

11. Employee related costs

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Wages and salaries	(438)	(295)	(227)
Social security	(56)	(41)	(28)
Share based compensation (see note 12)	(22)	(17)	(22)
Pension costs (see note 13)	(1)	–	–
Other employee related costs	(90)	(69)	(62)
Total	**(607)**	**(422)**	**(339)**

The average number of permanent employees during the years ended December 31, 2014, 2013 and 2012 was as follows:

	2014(ii)	2013 (restated)	2012 (restated)
Continuing operations(i)	11,491	8,968	7,509
Discontinued operations	2,815	1,376	544
Total average number of permanent employees	**14,306**	**10,344**	**8,053**

(i) excluding UNE which had 11,400 permanent employees at December 31, 2014
(ii) including Guatemala which had 1,750 permanent employees at December 31, 2013

12. Share based compensation

Share-based compensation comprises share options and long term incentive plans.

Share options

Until May 30, 2006, share options were granted to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or director completing one to five years of service (the vesting period) and were exercisable starting from one year to five years from the grant date.

Options granted prior to 2005 have an indefinite life and those granted in 2005 a twenty year life. Shares issued when share options are exercised have the same rights as common shares.

12. Share based compensation (continued)

The following table summarizes information about share options outstanding and exercisable at December 31, 2014. The market price of the Company's shares as at December 31, 2014 was SEK 582.50 (2013: SEK 640.50), approximately $74.30 (2013: $99.71).

Share options outstanding at the end of the year have the following expiry dates, exercise prices and terms:

Date issued	Number of options outstanding and exercisable as at December 31, 2014	Exercise price US$ per share	Terms
May 2004	20,000	25.05	Exercisable immediately. Options have an indefinite life.
May 2005	25,000	20.56	Exercisable immediately. Options have a twenty year life.
Total	**45,000**		
Weighted average exercise price		**22.55**	

The following table summarizes the movement in the Company's share options for the years presented:

	2014		2013		2012	
	Average exercise price in US$ per share	Number of options	Average exercise price in US$ per share	Number of options	Average exercise price in US$ per share	Number of options
Outstanding at beginning of year	**22.55**	**45,000**	**29.34**	**134,996**	**29.34**	**134,996**
Expired/forfeited	–	–	–	–	–	–
Exercised	–	–	–	(89,996)	–	–
Outstanding and exercisable at end of year	**22.55**	**45,000**	**22.55**	**45,000**	**29.34**	**134,996**

Long-term incentive plans

The Company provides management and certain employees with share incentive schemes, the terms and conditions of which are linked to a number of performance criteria.

Two schemes are provided, the first, a deferred share awards plan whereby shares are granted based on past performance over a three year future period, with vesting occurring on each January 1, over the following three year period from the award date at 16.5% at the end of each of the first two years and 67% at the end of the third year.

The second scheme is a future performance scheme whereby shares are granted based on future performance criteria over a three year period with vesting occurring on the January 1, after a three year period.

12. Share based compensation (continued)

Shares issued in 2014 under each of the schemes are provided below:

	Performance Plan 2013	Deferred Plan 2013	Performance Plan 2012	Deferred Plan 2012	Performance Plan 2011	Deferred Plan 2011	Performance Plan 2010	Deferred Plan 2010
Shares issued in 2014	–	31,315	–	19,175	48,566	43,752	–	–
Shares issued in 2013	–	–	7,453	26,669	20,303	46,061	66,542	89,650
Total estimated charge over the vesting period ($ millions)		21		19		18		16

The total estimated charge of the vesting period for the 2014 plans is $26 million.

Vesting criteria for each of performance plans are as follows:

2010

Shares granted under the performance plan vested on January 1, 2013 and were 50% subject to a market condition that was based on the Total Shareholder Return (TSR) of Millicom compared to the TSR of a peer group of companies during the three-year period of the plan, and 50% subject to a performance condition, based on EPS. A fair value per share subject to the market condition was determined and applied to the total potential number of performance shares, and expensed over the vesting period.

2011

Shares granted under the performance plan vest at the end of the three year period ending January 1, 2014, subject to performance conditions, 50% based on Return on Capital Investment (ROIC) and 50% based on EPS. Prior to September 2011, the vesting conditions were 50% based on EPS and 50% on a market condition that was based on the ranking of the TSR of Millicom compared to the FTSE Global Telecoms Index adjusted to add three peer companies ("Adjusted Global Telecoms Index"). As this index was discontinued during 2011, the Compensation Committee approved the replacement of this condition with the ROIC condition.

2012 - 2014

Shares granted under the performance plans vest at the end of each three year period ending January 1, subject to performance conditions, 50% based on Return on Capital Investment (ROIC) and 50% based on EPS.

Vesting criteria for each of the deferred share awards plans are as follows:

2010-2014

Shares are granted based on past performance and vest 16.5% on the first January 1 anniversary of the plan, 16.5% on the second January 1 anniversary of the plan and 67% on the third and final January 1 of each plan.

12. Share based compensation (continued)

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

	Performance shares 2014	Deferred share awards 2014	Performance shares 2013	Deferred share awards 2013	Performance shares 2012	Deferred share awards 2012
Plan share awards	164,015	219,767	173,586	208,979	105,284	161,798
Share awards granted(i)	–	–	13,453	4,165	3,763	5,995
Revision for actual forfeitures	(15,378)	(22,207)	(24,112)	(22,699)	(49,409)	(37,404)
Revision in respect of performance conditions	–	–	–	–	–	–
Shares issued	–	–	–	(31,315)	(7,453)	(45,844)
Share awards expected to vest	**148,637**	**197,560**	**162,927**	**159,130**	**52,185**	**84,545**

(i) Additional shares granted include new joiners and consideration for the impact of special dividends paid in 2012

Total share based compensation expense

Total share-based compensation for years ended December 31, 2014, 2013 and 2012 was as follows:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
2010 LTIPs	–	–	5
2011 LTIPs	–	2	7
2012 LTIPs	4	5	10
2013 LTIPs	7	10	–
2014 LTIPs	11	–	–
Total share-based compensation expense	**22**	**17**	**22**

13. Employment Obligations

The Group's Colombian subsidiary UNE, acquired in 2014, has a number of employee defined benefit plans. The level of benefits provided under the plans depends on collective employment agreements and Colombian labour regulations. There are no defined assets related to the plans, and UNE make payments to settle obligations under the plans out of available cash balances.

Pension Plans

The pension plans apply to employees who meet certain criteria (including years of service, age and participation in collective agreements).

Long-Service Plans

Long-service plans apply to employees with more than five years of service whereby additional bonuses are paid to employees that reach each incremental length of service milestone (from five to 40 years).

13. Employment Obligations (continued)

Termination Plans

The termination plans apply to employees that joined UNE prior to December 30, 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

The carrying value of the liabilities related to the benefit plans were as follows:

	2014
	US$ millions
Pensions	38
Long service	6
Termination	7
Others	2
Total liability	**53**

Net benefit expense in 2014 (from the date of acquisition in August) was as follows:

	2014
	US$ millions
Current service cost	–
Interest cost on benefit obligation	1
Net benefit expense	**1**

Changes in the value of the defined benefit obligation:

	2014
	US$ millions
Defined benefit obligations at August 14, 2014	66
Interest cost	1
Current service cost	–
Benefits paid	(2)
Foreign exchange (gain)/loss	(13)
Change in Actuarial Assumptions:	
Demographics	–
Financial	–
Experience	1
Change in actuarial assumptions in other comprehensive income	**1**
Defined benefit obligation at December 31, 2014	**53**

The principal assumptions in determining the plan obligations are as follows:

	2014
	%
Discount rate (all obligations)	6.6
Future salary increases (Termination and Long-Service Plans)	3.5
Life expectancy for pensioners (Pension Plans):	**Years**
Male (from the age of 55 years)	27
Female (from the age of 50 years)	36

13. Employment Obligations (continued)

Sensitivity analysis, based on a method that extrapolates the impact on the obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period:

Assumptions	Life Expectancy of Male Pensioners		Life Expectancy of Female Pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
	US$ millions	US$ millions	US$ millions	US$ millions
Impact on defined benefit obligations	0.6	(0.5)	0.6	(0.5)

Assumptions	Discount rate		Salary increases	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
	US$ millions	US$ millions	US$ millions	US$ millions
Impact on total benefit obligations	(4)	5	1	(1)

The following payments are expected in the plans in future years:

	2014
	US$ millions
Within the next 12 months	4
Between 2 and 5 years	17
Between 5 and 10 years	22
Beyond 10 years	61
Total expected payments	**104**

The average duration of the defined benefit obligation at December 31, 2014 is 8 years.

14. Other non-operating (expenses) income, net

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Change in carrying value of put options (see note 27)	307	(62)	15
Change in carrying value of call option (see note 27)	46	–	–
Change in fair value of derivatives	21	(19)	(6)
Other exchange (losses), net	(175)	(52)	1
Other non-operating expenses	12	(1)	2
Other non-operating (expenses) income, net	**211**	**(134)**	**12**

15. Taxes

Taxes mainly comprise income taxes of subsidiaries. As a Luxembourg commercial company, the Company is subject to all taxes applicable to a Luxembourg Société Anonyme.

The effective tax rate on continuing operations is 8% (2013: 35% (restated)). Currently Millicom operations are in jurisdictions with income tax rates of 10% to 40% levied on either revenue or profit before income tax (2013: 6% to 40%).

15. Taxes (continued)

Reconciliation between the weighted average statutory tax rate and the effective average tax rate is as follows:

	2014	2013 (restated)	2012 (restated)
	%	%	%
Weighted average statutory tax rate(i)	27	27	25
Recognition of previously unrecorded tax losses	–	(19)	–
Unrecognized current year tax losses(ii)	3	10	2
Non-taxable income and non-deductible expenses, net	(25)	6	6
Taxes based on revenue	(1)	–	–
Income taxes at other than statutory tax rates	1	4	3
Withholding taxes on transfers between operating and holding entities	3	22	8
Write-back of tax provision	–	3	3
Effect on change in tax rate	–	–	4
Tax on Joint Ventures (restatement for Guatemala and Mauritius)	–	(18)	(10)
Effective tax rate	**8**	**35**	**41**

(i) The weighted average statutory tax rate has been determined by dividing the aggregate statutory tax charge of each subsidiary and joint venture, which was obtained by applying the statutory tax rate to the profit or loss before tax.

(ii) Unrecognized current year tax losses mainly consist of tax losses in the Group's operations in DRC, Ghana, Rwanda, Senegal, UNE (2013: DRC and Rwanda; 2012: DRC, Rwanda and Tanzania).

The credit (charge) for income taxes from continuing operations 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):

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Current income tax credit (charge)	(292)	(235)	(293)
Net deferred income tax benefit (expense)	36	91	(67)
Credit / (charge) for taxes	**(256)**	**(144)**	**(360)**

15. Taxes (continued)

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
(A) Profit After Tax	**2,780**	**268**	**512**
(1) Current Income Tax	(292)	(235)	(294)
(2) Deferred Income Tax	36	91	(66)
(B) Total income tax (1) + (2)	**(256)**	**(144)**	**(360)**
(C) Profit Before Tax = (A)+(B)	**3,036**	**412**	**872**
(3) Effective tax rate (B)/(C)	8%	35%	41%
(4) Weighted average tax rate	27%	27%	25%
(D) Theoretical Income Tax (C)*(4)	**(822)**	**(111)**	**(214)**
Difference to explain =(B)-(D)	**566**	**(33)**	**(146)**
Non-taxable and deductible items	761	(23)	(53)
Items taxed with another tax rate	(24)	(17)	(23)
Withholding tax	(79)	(93)	(72)
Adjustments from prior years	–	(14)	(24)
Tax based on revenues and other taxes	34	–	–
Deferred tax liabilities on unremitted earnings	(1)	–	–
Unrecognized tax losses	(106)	(43)	(16)
Impact of changes in tax rates on deferred tax assets	–	–	(39)
Recognition of previously unrecognized deferred tax assets	(19)	79	–
Tax on joint ventures (included above profit before tax)	–	78	81
Total	**566**	**(33)**	**(146)**

15. Taxes (continued)

The tax effects of significant items of the Group's deferred income tax assets and liabilities as at December 31, 2014 and 2013 are as follows:

	Consolidated balance sheets		Consolidated income statements		
	2014	2013 (restated)	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Provision for doubtful debtors	13	16	(3)	2	5
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	(39)	(53)	14	(1)	(61)
Deferred tax liabilities recognized from acquisitions, net	(94)	(74)	15	22	19
Deferred tax assets / credits from recognition of carry-forward losses	153	198	(45)	64	(48)
Deferred tax liabilities recognized on unremitted earnings	(23)	(28)	5	–	–
Other temporary and translation differences	108	70	50	4	19
Deferred tax benefit (expense)			**36**	**91**	**(66)**
Deferred tax assets (liabilities), net	**118**	**129**			
Reflected in the statements of financial position as:					
Deferred tax assets	294	312			
Deferred tax liabilities	(176)	(183)			

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.

Total unrecognized tax loss carry-forwards relating to continuing operations amounted to $505 million as at December 31, 2014 (2013: $390 million, 2012: $267 million) of which $203 million expire within one to five years (2013: $171 million, 2012: $236 million) and $302 million which have no expiry (2013: $219 million, 2012: $31 million).

At December 31, 2014, Millicom had $23 million representing withholding tax payables on undistributed earnings of Millicom operating subsidiaries and deferred tax assets of $153 million (2013: $198 million) representing credits from recognition of carry forward tax losses.

Income tax expenses include withholding tax on royalties for an amount of $43 million (2013: $35 million).

16. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

Net profit and share data used in the basic and diluted earnings per share computations are as follows:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Basic			
Net profit attributable to equity holders from continuing operations	2,622	292	516
Net profit attributable to equity holders from discontinued operations	21	(63)	(8)
Net profit attributable to equity holders to determine the basic earnings per share	2,643	229	508
Diluted			
Net profit attributable to equity holders from continuing operations	2,622	292	516
Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share	2,622	292	516
Net profit attributable to equity holders from discontinued operations	21	(63)	(8)
Net profit attributable to equity holders to determine the diluted earnings per share	2,643	229	508

	2014	2013 (restated)	2012 (restated)
	'000	'000	'000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	99,983	99,801	101,332
Effect of dilution:			
Potential incremental shares as a result of share options	34	54	93
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	100,017	99,855	101,425

To calculate earnings per share amounts for discontinued operations, the weighted average number of shares for both basic and diluted amounts is as per the table above.

17. Intangible assets

Movements in intangible assets in 2014 were as follows:

	Goodwill	Licenses	Customer lists	Capacity Contracts	Broadcast and other rights	Other(ii)	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Opening balance, net (restated)	**1,382**	**480**	**250**	**125**	**37**	**184**	**2,458**
Change in the composition of the Group (see note 4)(iii)	1,864	388	348	87	–	835	3,522
Additions (see note 9)	–	88	–	22	–	90	200
Amortization charge(i)	–	(77)	(97)	(15)	(6)	(44)	(239)
Impairment	–	(1)	–	(6)	–	(7)	(14)
Transfers	–	(48)	(1)	(14)	–	63	–
Exchange rate movements	(180)	(56)	(16)	(32)	(1)	(139)	(424)
Closing balance, net	**3,066**	**774**	**484**	**167**	**30**	**982**	**5,503**
As at December 31, 2014							
Cost or valuation	3,066	1,058	882	248	42	1,354	6,650
Accumulated amortization and impairment	–	(284)	(398)	(81)	(12)	(372)	(1,147)
Net	**3,066**	**774**	**484**	**167**	**30**	**982**	**5,503**

(i) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".

(ii) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note 4).

(iii) The change in the composition of the Group corresponded to the acquisition of Guatemala and UNE in 2014 (see note 4) and other minor investments in 2013.

17. Intangible assets (continued)

Movements in intangible assets in 2013 (restated) were as follows:

	Goodwill	Licenses	Customer lists	Capacity Contracts	Broadcast and other rights	Other(ii)	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Opening balance, net (restated)	**1,468**	**314**	**314**	**102**	**34**	**99**	**2,331**
Change in the composition of the Group (see note 4)(iii)	(12)	–	9	–	–	4	1
Additions (see note 9)	–	94	–	21	8	279	402
Amortization charge(i)	–	(51)	(58)	(9)	(5)	(30)	(153)
Impairment	(36)	–	–	–	–	(1)	(37)
Transfers	–	130	(6)	17	–	(160)	(19)
Exchange rate movements	(38)	(7)	(9)	(6)	–	(7)	(67)
Closing balance, net	**1,382**	**480**	**250**	**125**	**37**	**184**	**2,458**
As at December 31, 2013 (restated)							
Cost or valuation	1,382	729	484	146	42	469	3,252
Accumulated amortization and impairment	–	(249)	(234)	(21)	(5)	(285)	(794)
Net (restated)	**1,382**	**480**	**250**	**125**	**37**	**184**	**2,458**

(i) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".

(ii) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note 4).

(iii) The change in the composition of the Group corresponded to the acquisition of Guatemala and UNE in 2014(see note 4) and other minor investments in 2013.

The following table provides details of cash used for intangible asset additions:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Additions	200	402	249
Change in suppliers advances	–	–	1
Change in capex accruals and payables	(16)	(2)	(84)
Cash used from continuing operations for intangible asset additions	**184**	**400**	**166**

17. Intangible assets (continued)

Impairment test of goodwill

As at December 31, 2014, management tested goodwill for impairment by assessing the recoverable amount (value in use) against the carrying amount for each cash-generating unit ("CGU").

The value in use of a 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 covering a period of five years or more. The planning horizon reflects industry practice in the countries where the Group operates and stage of development or redevelopment of the business in those countries. Cash flows beyond this period are extrapolated using a perpetual growth rate of 2.0%-2.5% (2013: 2.5%-3.0%).

No impairment losses were recorded on goodwill for the years ended December 31, 2014 and 2012. An impairment of $36 million relating to goodwill for Senegal was recorded in 2013.

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing. For DRC the estimated recoverable amount exceeded the carrying value by 15%. Indicators of sensitivity were identified in respect of the DRC cash-generating unit and sensitivity testing was performed resulting in the following findings:

- A long-term growth rate decrease of 2.2 ppt (percentage points), from 2.5% to 0.3% would result in a value in use equal to the carrying amount. An additional 1.0 ppt decrease, from 0.3% to -0.2% would lead to a value in use lower than the carrying amount by $16 million.
- A discount rate increase of 1.15 ppt, from 13.1% to 14.25% would result in a value in use equal to the carrying amount. An additional 1.0 ppt increase, from 14.25% to 15.25% would lead to a value in use lower than the carrying amount by $15.6 million.
- A 10 ppt decrease of the operating profit before depreciation and amortization would result in a value in use equal to the carrying amount. An additional 1% decrease, would lead to a value in use lower than the carrying amount by $2.3 million.

17. Intangible assets (continued)

The recoverable amounts have been determined for the cash generating units based on the following discount rates for the years ended December 31, 2014 and 2013. The results of the testing would be materially similar if a pre-tax discount rate had been used.

	Discount rate after tax	
	2014	2013
Bolivia	11.0%	10.6%
Chad	12.6%	14.8%
Colombia (Colombia Móvil)	9.5%	9.4%
Costa Rica	10.1%	10.5%
DRC	13.1%	15.0%
El Salvador	11.5%	11.0%
Ghana	13.7%	14.2%
Guatemala	10.8%	10.9%
Honduras	12.0%	12.6%
Paraguay	10.5%	10.5%
Rwanda	11.7%	13.6%
Senegal	11.5%	13.6%
Tanzania	11.4%	13.5%

The allocation of goodwill to cash generating units, net of exchange rate movements and after impairment, is shown below:

	2014	2013 (restated)	January 1, 2013 (restated)
Millicom's operations in:	**US$ millions**	**US$ millions**	**US$ millions**
Guatemala (see note 4)	1,571	–	–
Honduras	817	855	883
El Salvador	194	194	194
Costa Rica	129	139	137
Paraguay	65	68	76
Colombia – Colombia Movil	42	52	57
Colombia – UNE (see note 4)	200	–	–
DRC	11	11	11
Other	37	63	110
Total Goodwill	**3,066**	**1,382**	**1,468**

18. Property, plant and equipment

Movements in tangible assets in 2014 were as follows:

	Network equipment	Land and Buildings	Construction in Progress	Other(i)	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Opening balance, net	2,151	74	374	172	2,771
Change in the composition of the Group (note 4)(ii)	1,629	129	163	271	2,192
Additions (including sale and leaseback)	127	7	929	31	1,094
Impairments and net disposals	(17)	(1)	(4)	(8)	(30)
Depreciation charge(iii)	(811)	(9)	–	(99)	(919)
Asset retirement obligations	26	–	–	–	26
Transfers	929	13	(926)	(16)	–
Transfer from assets held for sale (see note 5)	(1)	–	–	–	(1)
Exchange rate movements	(376)	(28)	(46)	(52)	(502)
Closing Balance at December 31, 2014	**3,657**	**185**	**490**	**299**	**4,631**
Cost or valuation	7,779	222	490	673	9,164
Accumulated depreciation	(4,122)	(37)	–	(374)	(4,533)
Net	**3,657**	**185**	**490**	**299**	**4,631**

Movements in tangible assets in 2013 (restated) were as follows:

	Network equipment	Land and Buildings	Construction in Progress	Other(i)	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Opening balance, net	2,257	63	282	152	2,754
Change in the composition of the Group (note 4)(ii)	–	–	–	6	6
Additions (including sale and leaseback)	4	1	679	24	708
Impairments and net disposals	(30)	–	(7)	(2)	(39)
Depreciation charge(iii)	(572)	(4)	–	(57)	(633)
Transfers	564	16	(571)	52	61
Transfer from assets held for sale (see note 5)	5	–	–	–	5
Exchange rate movements	(77)	(2)	(9)	(3)	(91)
Closing Balance at December 31, 2013 (restated)	**2,151**	**74**	**374**	**172**	**2,771**
Cost or valuation	5,010	97	374	417	5,898
Accumulated depreciation	(2,859)	(23)	–	(245)	(3,127)
Net (restated)	**2,151**	**74**	**374**	**172**	**2,771**

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

18. Property, plant and equipment (continued)

(ii) The change in the composition of the Group corresponded to the acquisition of Guatemala and UNE in 2014 and other minor investments in 2013.

(iii) The depreciation charge for network equipment is recorded under the caption "Cost of sales" and the depreciation charge for Land and Buildings and Other is recorded under "General and administrative expenses".

The net carrying amount of network equipment under finance leases at December 31, 2014, mainly comprising towers from sale and lease back transactions with tower companies, was $226 million (2013: $231 million).

Borrowing costs capitalized for the years ended December 31, 2014 and 2013 were not significant.

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

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Additions	1,094	708	747
Change in suppliers advances	(14)	17	(4)
Change in capex accruals and payables	48	(50)	(29)
Vendor financing and finance leases (see note 30)	–	(43)	(10)
Cash used from continuing operations for purchase of property, plant and equipment	**1,128**	**632**	**704**

19. Pledged deposits

At December 31, 2014, non-current pledged deposits amounted to $2 million mainly related to security over financing of Millicom's operation in Guatemala (2013: nil (see note 26)).

At December 31, 2014, current pledged deposits amounted to $6 million. At December 31, 2013, short-term pledge deposits amounted to $817 million and mainly comprised the proceeds of Millicom's $800 million bond related to the UNE merger described in note 4. The proceeds from the bond (see note 26) were held in low risk interest bearing deposits until the merger process was complete.

20. Trade receivables, net

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Gross trade receivables	735	394	392
Less: provisions for impairment of receivables	(243)	(112)	(104)
Trade receivables, net	**492**	**282**	**288**

Nominal value less impairment is assumed to approximate the fair value of trade receivables (see note 34).

20. Trade receivables, net (continued)

As at December 31, 2014 and 2013, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired	Past due (net of impairments)			Total
		<30 days	30–90 days	>90 days	
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
2014					
Telecom operators	63	19	21	4	107
Own customers	186	55	27	–	268
Others	78	16	12	11	117
Total	**327**	**90**	**60**	**15**	**492**
2013 (restated)					
Telecom operators	62	19	24	–	105
Own customers	69	20	12	–	101
Others	49	17	10	–	76
Total	**180**	**56**	**46**	**–**	**282**
January 1, 2013 (restated)	**180**	**53**	**55**	**–**	**288**

21. Restricted cash

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Mobile financial services	121	77	41
Others	7	3	–
Restricted cash	**128**	**80**	**41**

Mobile financial services cash is restricted based on local regulations in each relevant country.

22. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Cash and cash equivalents in US dollars	278	441	622
Cash and cash equivalents in other currencies	416	468	533
Total cash and cash equivalents	**694**	**909**	**1,155**

Cash balances are diversified among leading international banks and in domestic banks within the countries where we operate.

23. Share capital

Share capital and share premium

The authorized registered share capital of the Company is 133,333,200 shares (2013: 133,333,200). As at December 31, 2014, the total subscribed and fully paid-in share capital and premium was $639 million (2013: $640 million) consisting of 101,739,217 (2013: 101,739,217) registered common shares with par value of $1.50 (2013: $1.50) each.

24. Put option reserves

On July 1, 2010, in exchange for an unconditional 5 year call option, the Company granted to its local partner in our operation in Honduras a 5 year conditional put option over his 33.3% shareholding (see note 27). A put option reserve in the amount of $737 million was recognised representing the present value of the redemption price of the put option at that date.

Effective January 1, 2014, in exchange for an unconditional 2 year call option, the Company granted to its local partner in our operation in Guatemala a 2 year conditional put option over its 45% shareholding (see note 4 and note 27). A put option reserve in the amount of $1,775 million was recognised representing the present value of the redemption price of the put option at that date.

25. Other reserves

	Legal reserve	Equity-settled transaction reserve	Hedge reserve	Currency translation reserve	Pension Obligation reserve	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
As at December 31, 2012 (restated)	**16,359**	**42,197**	**(5,833)**	**(185,534)**	**–**	**(132,811)**
Share based compensation	–	16,871	–	–	–	16,871
Issuance of shares – 2010, 2011, and 2012 LTIPs	–	(19,103)	–	–	–	(19,103)
Shares issued via the exercise of share options	–	(3,027)	–	–	–	(3,027)
Cash flow hedge reserve movement	–	–	6,857	–	–	6,857
Currency translation movement	–	–	–	(53,903)	–	(53,903)
As at December 31, 2013 (restated)	**16,359**	**36,938**	**1,024**	**(239,437)**	**–**	**(185,116)**
Share based compensation	–	22,411	–	–		22,411
Issuance of shares – 2011, 2012, and 2013 LTIPs	–	(15,227)	–	–		(15,227)
Change in pension obligations	–	–	–	–	1,414	1,414
Cash flow hedge reserve movement	–	–	1,216	–		1,216
Currency translation movement	–	–	–	(212,533)		(212,533)
As at December 31, 2014	**16,359**	**44,122**	**2,240**	**(451,970)**	**1,414**	**(387,835)**

25. Other reserves (continued)

Legal reserve

If the Company reports an annual net profit on a non-consolidated basis, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution.

No appropriation was required in 2013 or 2014 as the 10% minimum level was reached in 2011 and maintained each subsequent year.

Equity-settled transaction reserve

The cost of share options and LTIPs is recognized as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When the options are exercised their cost is transferred from the equity-settled transaction reserve to share premium. When shares under the different LTIPs vest and are issued the corresponding reserve is transferred to share capital and share premium.

Hedge reserve

The effective portions of changes in value of cash flow hedges of fluctuations in interest rates are recorded in the hedge reserve (see note 33).

Currency translation reserve

In the financial statements, the relevant captions in the statements of financial position of subsidiaries without US dollar functional currencies, are translated to U.S. dollars using the closing exchange rate. Income statements or income statement captions (included those of joint ventures and associates) are translated to U.S. dollars at the average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from these translations.

26. Debt and financing

Debt and financing due after more than one year:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Bond financing(i)	3,253	2,502	1,228
Bank financing(ii)	1,105	907	1,000
Finance leases(iii)	262	263	200
Non-controlling shareholders	–	–	243
Vendor financing	–	–	40
Total non-current debt and financing	**4,620**	**3,672**	**2,711**
Less: portion payable within one year	(153)	(168)	(367)
Total debt and financing due after more than one year	**4,467**	**3,504**	**2,344**

26. Debt and financing (continued)

Debt and financing due within one year:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Bond financing(i)	74	–	–
Bank financing(ii)	125	239	234
Finance leases(iii)	10	16	32
Vendor financing	–	–	10
Total current debt and financing	**209**	**255**	**276**
Portion of non-current debt payable within one year	153	168	367
Total debt and financing due within one year	**362**	**423**	**643**

Debt and financing by location:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
MIC S.A.	1,539	1,797	304
Chad	71	37	98
DRC	35	26	124
Ghana	50	24	76
Rwanda	129	164	146
Senegal	–	–	138
Tanzania	105	109	183
Bolivia	163	180	198
Cable Central America	113	77	93
Colombia	848	444	547
El Salvador	308	443	440
Guatemala	781	–	–
Honduras	348	267	261
Paraguay	339	359	379
Total debt and financing	**4,829**	**3,927**	**2,987**
Of which:			
Due after more than 1 year	4,467	3,504	2,344
Due within 1 year	362	423	643

26. Debt and financing (continued)

(i) Bond Financing

As at December 31, 2014 the Company had the following bond financing:

Description	Country	Maturity	Currency	Interest rate	2014	2013 (restated)	January 1, 2013 (restated)
					US$ millions	US$ millions	US$ millions
SEK Senior Unsecured Floating Rate Notes(1)	Luxembourg	2017	SEK	STIBOR +3.5%(i)	226	273	268
SEK Senior Unsecured Fixed Rate Notes(1)	Luxembourg	2017	SEK	5.125%	30	37	36
$500 million 4.75% Senior Notes(2)	Luxembourg	2020	USD	4.75%	492	491	–
$800 million 6.625% Senior Notes(3)	Luxembourg	2021	USD	6.625%	791	791	–
$800 million 6.875% Senior Notes(4)	Guatemala	2024	USD	6.875%	781	–	–
BOB 1.36 billion Notes(5)	Bolivia	2020	BOB	4.75%	156	175	191
8% Senior Notes(6)	El Salvador	2017	USD	8.25%	304	441	440
6.75% Senior Notes(7)	Paraguay	2022	USD	6.75%	294	294	293
UNE Bonds(8)	Colombia	2015/ 2023	COP	7.33%- 8.76%	253	–	–
Total bond financing					**3,327**	**2,502**	**1,228**

(i) STIBOR – Swedish Interbank Offered Rate

(1) SEK Senior Unsecured Notes

On October 30, 2012 Millicom issued Senior Unsecured Floating Rate Notes of Swedish Kronor ('SEK') 1.75 billion and Senior Unsecured Fixed Rate Notes of SEK 0.25 billion. The floating rate notes were issued for 100% of the principal amount and the fixed rate notes for 99.699% of the principal amount and both are repayable in five years. At the same time Millicom entered into various cross currency interest swap contracts whereby Millicom will sell SEK and receive USD to hedge against exchange and interest rate fluctuations (see note 33). The early redemption options are embedded derivatives which have been valued and determined to be closely related to the underlying notes.

MIC S.A. may redeem the SEK Bonds in full at any time prior to the final maturity date, at 100% of the nominal amount plus accrued and unpaid interest plus the applicable premium or, if the redemption is financed at least 80% by way of another issuance of debt instruments, anytime from and including the date falling 60 business days prior to the final maturity date, at 100% of the nominal amount plus accrued and unpaid interest. The applicable premium represents the net present value of all interest due until maturity of the notes.

(2) $500 million 4.75% Senior Notes

On May 22, 2013 Millicom issued a $500 million fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations. Withheld costs of issuance of $10 million and paid costs of $9 million are amortized over the 7 year life of the notes (effective interest rate of 5.29%).

26. Debt and financing (continued)

(3) USD $800 million 6.625% Senior Notes

On October 16, 2013 Millicom issued an $800 million bond. The funds were used to finance the Colombian Merger (see note 4) and released from the escrow account (see note 18) prior to completion of the merger on August 14, 2014 (effective interest rate of 7.17%).

(4) USD $800 million 6.875% Senior Notes

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

The loan agreements between Intertrust, Credit Suisse and Comcel remove any risk to Credit Suisse connected to the loans, and as such the Group have derecognized both its asset and liability towards Credit Suisse from the date of the agreement.

(5) BOB 1.36 billion Notes

In May 2012, Telecel Bolivia issued BOB 1.36 billion of notes repayable in instalments until April 2, 2020. Distribution and other transaction fees of BOB 5 million reduced the total proceeds from issuance to BOB 1.32 billion ($191 million). The bond has a 4.75% per annum coupon with interest payable semi-annually in arrears in May and November. The effective interest rate is 4.79%. As of December 31, 2014, approximately $156 million was outstanding under this bond.

(6) El Salvador 8% Senior Notes

On September 23, 2010, Telemóvil Finance Co. Ltd., issued $450 million aggregate principal amount 8% Senior Notes due on October 1, 2017. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and are payable semi-annually in arrears on April 1 and October 1. The effective interest rate is 8.76%.

The proceeds were loaned to a bank which then financed Telemovil El Salvador until December 2014 when the payable and receivable from the bank were settled. The 8% Senior Notes are general unsecured obligations of Telemóvil Finance Co. Ltd and rank equal in right of payment with all future unsecured and unsubordinated obligations of Millicom. The 8% Senior Notes are guaranteed by Telemóvil El Salvador, S.A., Millicom's operating subsidiary in El Salvador.

On April 15, 2014 $139 million of the $450 million bonds issued were repurchased in a tender offer to bond holders, for $150 million which included a premium of $9.5 million over the face value of the bonds. $2.5 million of related unamortized costs were expensed during 2014.

(7) Paraguay 6.75% Senior Notes

On December 7, 2012, Telefónica Celular del Paraguay S.A., Millicom's fully owned subsidiary in Paraguay issued $300 million of notes at 100% of the aggregate principal amount. Distribution

26. Debt and financing (continued)

and other transaction fees of $7 million reduced the total proceeds from issuance to $293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on June 13 and December 13. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of Telefónica Celular del Paraguay S.A. and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telefónica Celular del Paraguay S.A. The 6.75% Senior Notes are unguaranteed.

(8) UNE bonds

In May 2011, UNE issued a COP 300 billion (approximately $126 million) 5 and 12-year bond consisting of two equal tranches. Interest rates are variable and depend on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A will mature in October 2016 and Tranche B will mature in October 2023.

In March 2010, UNE issued a COP 300 billion (approximately $126 million) 5 to 10-year bond consisting of two tranches. Interest rates are either fixed or variable depending on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A will mature in March 2015 and Tranche B will mature in March 2020.

(ii) Bank Financing

At December 31, 2014, bank financings were as follows:

Description	Country	Maturity	Currency	Interest rate	2014	2013 (restated)	January 1, 2013 (restated)
					US$ millions	US$ millions	US$ millions
Other long term loans	Costa Rica	2021	USD	4% variable	114	78	93
USD variable rate loans	Honduras	2015/2022	USD	1.7% - 6.00% variable	126	37	35
USD fixed rate loans	Honduras	2015/2021	USD	3.96% - 6.45%	77	109	127
HNL variable rate loans	Honduras	2015/2022	HNL	9.00% - 16% variable	131	121	99
COP variable rate loans	Colombia (UNE)	2015/2023	COP	5.70% - 8.80% variable	229	–	–
Syndicated loan	Colombia	2020	COP	IBR + 7.10%(i)	274	340	–
Club Deal 5 year facility	Colombia	2013	COP	DTF + 4.50%	–	–	34
Short term loans	Colombia	2013	COP	various	–	–	130
Short term loans	Colombia	2013	USD	various	–	–	40
Short term loans	Rwanda	2019	USD	2.65% variable	119	158	99
Short term loans	Luxembourg	2014	USD	1.69% variable	–	199	–
Short term loans	DRC	2013	USD	various	–	–	93
Short term loans	Senegal	2013	USD	1% - 3.8%	–	–	138
Short term loans	Tanzania	2013	USD	4.04% - 5.59%	–	–	103
Other short-term loans	Various				160	104	243
Total bank financing					**1,230**	**1,146**	**1,234**

(i) IBR – Colombia Interbank Rate

26. Debt and financing (continued)

At December 31, 2014 MIC S.A. was guaranteeing loans and other indebtedness from subsidiaries for a total consideration of $287 million, namely in Chad, DRC, Rwanda, Honduras and Ghana.

MIC SA- Revolving Credit Facility

In June 2014, MIC S.A. entered into a $500 million revolving credit facility with a consortium of banks, including each Initial Purchaser, of which $200 million (Facility A) is for a 2-year term and $300 million (Facility B) is for a 3-year term. Subject to the terms of the revolving credit facility, the maturity date of all or a portion of the amounts outstanding under Facility A may be extended for one year and under Facility B may be extended for either one or two years. Amounts drawn under the revolving credit facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the revolving credit facility agreement. Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.3% (for Facility A) or 1.4% (for Facility B), provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the most recently completed financial year is within a specified range. As of December 31, 2014, the facility was fully committed and undrawn.

Right of set-off and de-recognition

In addition to the facilities described above, in 2013 two of Millicom's subsidiaries had agreements with banks whereby the banks provided loans amounting to Euro 176 million to Millicom's subsidiaries with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the banks and entered into a total return swaps. The total return swaps remove any risk of the banks connected to the loans, and as such Millicom have derecognized both its deposit asset and the loan liabilities from the date of the total return swap.

(iii) Finance leases

At December 31, 2014, finance leases were as follows:

Description	Country	Maturity	2014	2013	2012
			US$ millions	US$ millions	US$ millions
Finance lease of towers	Tanzania	2023	105	109	80
Finance lease of towers	Colombia Movil	2023	79	85	68
Finance lease of towers	DRC	2016/2023	35	26	24
Finance lease of towers	Ghana	2023/2025	20	24	21
Other finance leases	Various		33	35	39
Total finance leases			**272**	**279**	**232**

26. Debt and financing (continued)

Guarantees

Millicom has issued guarantees to secure certain obligations of some of its operations under financing agreements. Outstanding amounts under the guarantees and the guarantee periods as of December 31, 2014 and 2013 are shown below. Amounts covered by bank guarantees are recorded in the consolidated statements of financial position under the caption "Other debt and financing" and amounts covered by supplier guarantees are recorded under the caption "Trade payables" or "Other debt and financing" depending on the underlying terms and conditions.

	Bank and other financing guarantees(i)			
	As at December 31, 2014		As at December 31, 2013 (restated)	
Terms	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure
	US$ millions	US$ millions	US$ millions	US$ millions
0 – 1 year	111	150	34	112
1 – 3 years	50	50	50	50
3 – 5 years	70	70	186	255
More than 5 years	56	55	–	–
Total	**287**	**325**	**270**	**417**

(i) The guarantee ensures payment by the guarantor of outstanding amounts of the underlying loans in the case of non-payment by the obligor.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit, or guarantees issued by the Company as at December 31, 2014 is $1,409 million (2013: $764 million). Assets pledged by the Group over this debt and financing at the same date amounted to $8 million (2013: $817 million).

Net debt

The following table provides details of net debt change for the years 2014, 2013 and 2012:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Total Debt and financing	4,829	3,927	2,987
Less: Cash and deposits(i)	(832)	(1,806)	(1,264)
Net debt at the end of the year	3,997	2,121	1,723
Add (less): Derivative financial instruments related to debt(ii)	43	(10)	(6)
Net debt including derivatives related to debt	4,040	2,111	1,717

(i) Comprising cash and cash equivalents of $694 million (2013: $909 million, 2012: $1,155 million), restricted cash of $128 million (2013: $80 million, 2012: $41 million), current pledged deposits of $6 million (2013: $17 million, 2012: $8 million, short-term escrow investments of nil (2013: $800 million, 2012: nil)) and long-term pledged deposits of $2 million (2013: nil, 2012: $45 million), and time deposits related to bank borrowings of $2 million (2013: nil, 2012: $15 million) classified in other non-current assets.

(ii) Carrying value of foreign currency hedges on SEK denominated notes.

26. Debt and financing (continued)

Covenants

Millicom's financing facilities are subject to a number of covenants including debt service coverage ratios, debt to earnings ratios, debt to equity and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At December 31, 2014 there were no breaches in covenants.

27. Other non-current and current provisions and liabilities

Provisions and other non-current liabilities are comprised as follows:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Non-current legal provisions (note 31)	16	14	6
Long-term portion of asset retirement obligations	100	51	49
Long-term portion of deferred income on tower deals	30	41	51
Long term employment obligations (note 13)	69	1	–
Other	44	43	7
Total	**259**	**150**	**113**

Provisions and other current liabilities are comprised as follows:

	2014	2013 (restated)	January 1, 2013 (restated)
	US$ millions	US$ millions	US$ millions
Put options	2,260	792	730
Deferred revenue	190	142	132
Customer deposits	13	13	22
Current legal provisions (note 31)	6	5	2
Other tax payables	83	75	68
Current provisions	2	8	14
Customer and distributor cash balances (Tigo cash)	115	71	44
Other	136	37	69
Total	**2,805**	**1,143**	**1,081**

Put options related to Celtel and Comcel

Effective July, 1 2010 (Honduras) and January 1, 2014 (Guatemala), Millicom reached agreements with its local partners whereby the local partners granted Millicom an unconditional call option for duration of five years (Honduras) and two years (Guatemala) for their stakes in Celtel, (Honduras) and Comcel (Guatemala) (see note 4 and note 24). At the same time, and as consideration for the call options, Millicom granted put options for the same duration to its local partners. The put options become exercisable on a change of control of Millicom International Cellular S.A., or Millicom's subsidiaries that hold the shares in Comcel and Celtel (except if the change of control is in favor of Investment AB Kinnevik, the current largest shareholder of Millicom, or management of Millicom).

The put options are financial liability as defined in IAS 32 and recorded as current liabilities.

27. Other non-current and current provisions and liabilities (continued)

For Celtel the liability is measured at the present value of the redemption price of the put option which amounted to $573 million at December 31, 2014 (2013: $792 million).

The redemption price of the put option is based on a multiple of the EBITDA of Celtel. The multiple is based on a change of control transaction multiple of Millicom. Management estimated the change of control transaction multiple of Millicom from a trading multiple of Millicom adding a control premium (based upon comparable transactions from the industry).

For Comcel the liability is measured at the present value of the redemption price of the put option which amounted to $1,687 million at December 31, 2014.

The redemption price of the put option is based on a multiple of the EBITDA of Comcel. The multiple is based on a change of control transaction multiple of Millicom. Management estimate the change of control transaction multiple of Millicom from a trading multiple of Millicom and add a control premium (based upon comparable transactions).

Call options related to Celtel and Comcel

For Celtel, the call option price is a fixed multiple of the EBITDA of Celtel in the year the option is exercised. As the fixed multiple exceeded the fair value multiples (based on comparable transactions and including a control premium) at December 31, 2014 and 2013, and Millicom determined the fair value of the call option to be immaterial at both December 31, 2014 and 2013.

For Comcel, the call option price is a fixed multiple of the EBITDA of Comcel, with a gold price index in the event that the gold price increases by more than 40%. Millicom's call option is a financial instrument measured at fair value of $74 million at December 31, 2014. Income from the increase in value of the investment of $46 million during the year was recorded under 'other non-operating (expenses) income, net.

28. Dividends

On May 27, 2014 a dividend distribution of $2.64 per share from Millicom's retained profits as at December 31, 2013 was approved by the shareholders at the Annual General Meeting and distributed in June 2014.

On May 28, 2013 a dividend distribution of $2.64 per share from Millicom's retained profits as at December 31, 2012 was approved by the shareholders at the Annual General Meeting and distributed in June 2013.

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations. As at December 31, 2014, $285 million (December 31, 2013: $41 million) of Millicom's retained profits represent statutory reserves and are unable to be distributed to owners of the Company.

29. Directors' and officers' remuneration

Directors

The remuneration of the members of the Board of Directors of the Company comprises an annual fee and shares. Director remuneration is proposed by the Nominations Committee and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

In May 2014 Cristina Stenbeck was appointed Chairperson of the Board, and Tomas Eliasson, Amelia Fawcett and Dominique Lafont were appointed as Directors. At the same time Allen Sangines-Krause stepped down as Chairman of the Board, as did Donna Cordner, Omari Issa, Kim Ignatius and Dionisio Romero Paoletti as Directors. Cristina Stenbeck is also the Chairperson of the Board of Directors of Kinnevik (note 32), the principal shareholder of the Company.

The remuneration charge (net of 20% withholding tax) for the Board for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Chairperson	Other members of the Board	Total
	US$ '000	US$ '000	US$ '000
2014	172	786	958
2013	190	742	932
2012	210	787	997

The number of shares and share options beneficially owned by the Directors as at December 31, 2014 and 2013 was as follows:

	Chairperson	Former Chairperson	Other members of the Board	Total
2014				
Shares	35,658	n/a	16,411	52,069
2013				
Shares	n/a	2,318	12,825	15,143

Officers

The remuneration of senior management of the Company ("Officers") comprises an annual base salary, an annual bonus, share based compensation, social security contributions, pension contributions and other benefits. From 2013 the senior management of the Company is considered to be the CEO and the Executive Vice Presidents. The bonus and share based compensation plans (see note 12) are based on actual performance. Share based compensation is granted once a year by the Compensation Committee of the Board. The annual base salary and other benefits of the Chief Executive Officer ("CEO") and the Executive Vice Presidents ("Executive Team") is proposed by the Compensation Committee and approved by the Board.

In December 2014 it was announced that Hans-Holger Albrecht would leave the position of CEO by end of 2014 and that Tim Pennington would assume the role of interim CEO. Final compensation for Hans-Holger Albrecht is currently being reviewed.

In February 2014 Tim Pennington was appointed as Chief Financial Officer, effective from June 2014.

On August 31, 2013 Marc Zagar was appointed as Interim Chief Financial Officer after departure of Francois-Xavier Roger.

29. Directors' and officers' remuneration (continued)

On October 31, 2012 the Board appointed Hans-Holger Albrecht, who was a Director of Millicom since May 2010, to succeed Mikael Grahne as President and CEO.

The remuneration charge for the Executive Team for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Former Chief Executive Officer	Executive Team (8 members at December 31)
	US$ '000	US$ '000
2014		
Base salary	2,344	4,582
Bonus	–	3,079
Pension	586	499
Other benefits	752	1,715
Termination benefits	–	1,411
Total	***3,682***	***11,286***
Share based compensation:(i)(ii)	–	3,927

	Former Chief Executive Officer	Executive Team (9 members at December 31)
	US$ '000	US$ '000
2013		
Base salary	2,252	3,532
Bonus	2,269	1,768
Pension	723	573
Other benefits	1,282	747
Total	***6,526***	***6,620***
Share based compensation:(i)(ii)	1,705	3,057

	Former Chief Executive Officer	Chief Executive Officer in 2012	Chief Financial Officer in 2012
2012			
Base salary	633	1,265	662
Bonus	–	1,554	719
Pension	134	379	108
Other benefits	44	187	59
Total	***811***	***3,385***	***1,548***
Share based compensation:(i)(ii)	–	3,431	1,533

(i) See note 12

(ii) Share awards of 62,437 and 54,684 were granted in 2014 under the 2014 LTIPs to the former CEO, and Executive Team. Share awards of 65,178 and 71,899 were granted in 2013 under the 2013 LTIPs to the former CEO and Executive Team. Share awards of 33,209 and 13,962 were granted in 2012 under the 2012 LTIPs to the CEO in 2012 and former CFO.

29. Directors' and officers' remuneration (continued)

The number of shares and unvested share awards beneficially owned by senior management as at December 31, 2014 and 2013 was as follows:

	Former Chief Executive Officer	Executive Team	Total
2014			
Shares	Not applicable	23,689	23,689
Share awards not vested	Not applicable	103,669	103,669
2013			
Shares	8,810	20,174	28,984
Share awards not vested	65,178	105,102	170,280

Notice Period

If the employment of Millicom's senior executives is terminated, severance of up to 12 months' salary is potentially payable, and the CEO is entitled to receive a termination payment equivalent to 24 month's basic salary if he complies with certain conditions.

30. Non-cash investing and financing activities

The following table gives details of non-cash investing and financing activities for continuing operations for the years ended December 31, 2014, 2013 and 2012.

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Investing activities			
Acquisition of property, plant and equipment (see note 18)	(60)	(43)	(10)
Asset retirement obligations (see note 18)	(26)	–	(6)
Change in scope of consolidation (LIH – see note 4)	(70)	–	–
Change in scope of consolidation (AIH – see note 4)	–	(92)	–
Financing activities			
Vendor financing and finance leases (see note 18)	–	(43)	10
Share based compensation (see note 12)	22	16	21

31. Commitments and contingencies

Operational environment

Millicom operates in Latin American and African markets characterized by evolving and at times fluctuating regulatory, political, technological and economic environments. These characteristics result in uncertainties that may affect future operations, the ability to conduct business, transact foreign exchange, repatriate funds and repay debt, all of which may impact agreements with third parties.

In the normal course of business, Millicom faces uncertainties regarding taxation, interconnect rates, license renewal and tariff arrangements, which can have a significant impact on the profitability and economic viability of its operations.

31. Commitments and contingencies (continued)

Litigation

The Company and its operations are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of December 31, 2014, the total amount of claims and litigation risks against Millicom and its operations was $359 million (December 31, 2013: $667 million).

As at December 31, 2014, $22 million (December 31, 2013: $19 million) has been provided for litigation risks in the consolidated statement of financial position. While it is not possible 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 Group's financial position and operations.

Specific risks included in the amounts above:

Ghana

A lawsuit filed against our subsidiary in Ghana (Millicom Ghana) by E-Talk Limited (E-Talk) in November 2011, alleging that Millicom Ghana terminated a July 2006 contract with insufficient notice. The total value of the claim is approximately $30 million, including various general damages, loss of expected revenues and punitive damages. Management considers this claim as opportunistic and without foundation, in so far as it was filed more than four years after the events on which the plaintiff bases its claim. A provision of less than $1 million has been made for legal costs related to this claim.

Arbitration

At December 31, 2014 Millicom has various other claims, mainly related to licenses subject to arbitration processes.

Specific risks excluded from the amounts above:

Colombia

A claim filed with the Civil Chamber of Bogota in Colombia against all mobile operators in Colombia, including our subsidiary in Colombia, by a group of approximately twenty individuals of approximately $753 million. The claimants allege damages and losses suffered from third parties through illegal use of cellular phones in extortion attempts against the claimants.

The case has been inactive, with the exception of a mandatory settlement conference held among the parties under the court's supervision, which did not result in a settlement agreement. This claim is considered by management to be entirely spurious and without foundation or substance. As a result, no provision has been made for this claim.

Taxation

The Group faces regular tax investigations in the countries where it operates. As of December 31, 2014, the Group estimates potential tax claims of $339 million of which a tax provision of $63 million has been recorded (2013: $169 million of which provisions of $64 million were recorded).

31. Commitments and contingencies (continued)

While it is impossible to quantify the ultimate financial liability with respect to these assessments, the ultimate outcome of these contingent tax risks is not anticipated to have a material effect on the Group's financial position and operations.

Lease commitments

Operating Leases:

The Group has the following annual commitments lease as of December 31, 2014 and 2013.

	2014	2013 (restated)
	US$ millions	US$ millions
Operating lease commitments		
Within: one year	135	78
Between: one to five years	421	237
After: five years	199	143
Total	**755**	**458**

Operating leases mainly comprise land and buildings (including those related to towers sold and leased back). The operating lease terms and conditions reflect normal market conditions. Total operating lease expense from continuing operations was $180 million in 2014 (2013: $111 million, 2012: $93 million – see note 10).

Finance leases:

The Group's future minimum payments on finance leases were $467 million at December 31, 2014 (2013: $521 million) and mainly comprised lease of tower space in Ghana, Tanzania, DRC and Colombia under 12 year leases (see note 18) and tower sharing in other countries. Other financial leases are not material and mainly consist of lease agreements relating to vehicles.

The Group had the following finance lease commitments at December 31, 2014 and 2013.

	2014	2013 (restated)
	US$ millions	US$ millions
Finance lease commitments		
Within: one year	50	61
Between: one to five years	200	223
After: five years	217	237
Total	**467**	**521**

The corresponding finance lease liabilities at December 31, 2014 were $272 million (2013: $279 million).

Capital commitments

At December 31, 2014 the Company and its subsidiaries had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of $336 million of which $308 million are due within one year (December 31, 2013: $282 million of which $275 million are due within one year).

Millicom has a remaining commitment of Euro 25 million to AIH as part of the shareholder investment agreement with Rocket and MTN (see note 4).

31. Commitments and contingencies (continued)

Currency and interest rate swap contracts

Millicom enters into currency and interest rate swap contracts to manage its exposure to fluctuations in interest rates and currency fluctuations in accordance with its risk management policies. Details of these arrangements are provided below.

Interest rate and currency swaps on SEK denominated debt

In October 2012, Millicom issued senior unsecured floating rate notes of Swedish Kronor ('SEK') 1.75 billion and senior unsecured fixed rate notes of SEK 0.25 billion (see note 26). At the same time Millicom entered into various cross currency interest swap contracts whereby Millicom sells SEK and receives USD to hedge against exchange rate fluctuations for the notional amount of SEK 2 billion and interest payments on this principal. Millicom also hedged against interest rate fluctuations on the floating rate notes of SEK 1.75 billion, receiving variable interest at STIBOR +3.5% and paying a fixed rate of 5.125%.

The currency portion of the swap has been accounted for as a fair value hedge and $56 million of loss were recorded through the income statement for the year ended December 31, 2014 (2013: losses of $6 million). For the interest portion, as the timing and amounts of the cash flows under the swap agreements match the cash flows under the bonds, the swaps are highly effective. Cash flow hedge accounting has been applied and changes in the fair value of the swaps are recorded in other comprehensive income. At December 31, 2014 the fair value of the swap amounts to a liability of $44 million (2013: an asset of $13 million).

At December 31, 2014 the cash flow hedge reserve on these hedges amounted to $2 million. (December 31, 2013: $4 million).

Interest rate and currency swaps on Euro denominated debt

In June 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven year Euro 134 million principal and related interest financing of its operation in Senegal.

In July 2013 Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven year Euro 41.5 million principal and related interest financing of its operation in Chad.

These financings are connected to the downstreaming of a portion of Millicom's 4.75% bond (see note 26). These hedges are considered ineffective, with fluctuations in the value of the hedges recorded through profit and loss. $21 million of income was recorded from the fluctuations in 2014.

Currency swap contract (Colombian Pesos)

Colombia Móvil S.A.'s foreign currency swap contract to sell Colombian Pesos for $43 million matured in July 2013. Gains under the contract amounted to $2 million for 2013 until maturity.

Dividends

The ability of the company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's

31. Commitments and contingencies (continued)

various operations. As at December 31, 2014, $285 million (December 31, 2013: $140 million) of Millicom's retained profits represent statutory reserves and are unable to be distributed to owners of the Company.

32. Related party transactions

The Company conducts transactions with certain related parties on normal commercial terms and conditions. Included are:

- Investment AB Kinnevik ("Kinnevik") and subsidiaries, the Company's principal shareholder,
- Tower companies in Ghana, DRC, Tanzania and Colombia (until July 2014) in which the Company holds a direct or indirect equity interest (see note 8), and
- With controlled entities of our non-controlling interest in Colombia (EPM) since the merger on August 14, 2014 (see note 4).
- With controlled entities of our joint venture partner in Guatemala (Miffin Associates Corp).

Kinnevik

The Company's principal shareholder is Kinnevik. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. As of December 31, 2014, Kinnevik owned approximately 38% of Millicom (2013: 38%). During 2014 and 2013, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of these related parties.

During 2014 and 2013 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Helios Towers and American Towers (ATC)

Under the sale and leaseback agreements with Helios Tower Africa entities (see notes 6 and 17), the Group acquired a 40% equity investment in the associate company Helios Towers Ghana in 2010, and in the associate companies Helios Towers DRC, Helios Towers Tanzania and ATC B.V. in 2011 ("Tower companies"). Millicom sold its tower assets and leased back a portion of space on the towers in each of these countries and contracted for related operation and management services. The Group has future lease commitments in respect of the Tower Companies (see note 31).

In October 2011, Millicom's operating subsidiary in DRC provided Helios Towers DRC with a financing facility for a maximum of $38 million (principal of $30 million). Amounts under the facility are guaranteed by Helios Towers Africa, the parent company of Helios Towers DRC, as well as by pledge of its shares in Helios Towers DRC. The principal and interest payable were repaid by Helios DRC in March, 2014

In 2013 Millicom provided Helios Towers Tanzania with a $12 million unsecured loan bearing interest at 15% per annum and repayable by the end of 2019. During 2014 Millicom's interest in Helios Towers Tanzania was diluted from 40% to 24.15%, and as compensation for the dilution Millicom received additional loans from Helios Towers Tanzania of $6 million.

32. Related party transactions (continued)

From 2012 until disposal in July 2014, the Group provided its associate company, ATC BV, with various US dollar denominated loans bearing a fixed rate interest at 8.3% per annum. The loans were converted to equity in 2014 prior to the Group selling its investment in ATC BV (see note 5).

UNE EPM Telecomunicaciones S.A.

The Group's mobile operation in Colombia leased portions of its tower assets (owned or leased) under finance leases to UNE EPM Telecomunicaciones S.A. ('UNE'), until August 2014, and since that date UNE is a subsidiary of the Group (see note 4).

Miffin Associates Corp

The Group purchases and sells products and services from Miffin Associates Corp (a 45% shareholder in Comcel. Millicom's Guatemala operation) and its controlled entities ('Miffin'). Transactions with Miffin represent recurring commercial operations such as purchase of handsets, and sale of airtime. Transactions with such parties are made at arm's length.

The following transactions were conducted with related parties:

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Expenses			
Purchases of goods and services (Kinnevik)	3	10	8
Purchases of goods and services (Miffin)	155	134	95
Purchases of goods and services (non-controlling interest in Colombia Movil)	1	13	–
Lease of towers and related services (Helios and ATC*)	102	78	107
Lease of towers and related services (UNE*)	13	17	11
Total	**274**	**252**	**221**

* *until acquisition / disposal date*

	2014	2013 (restated)	2012 (restated)
	US$ millions	US$ millions	US$ millions
Income			
Sale of goods and services (non-controlling interest in Colombia*)	8	8	–
Sale of goods and services (Miffin)	213	206	220
Gain on sale of towers (Helios and ATC*)	42	10	16
Lease of towers and related services (UNE*)	22	31	10
Interest income (Helios Towers DRC and Tanzania loans, ATC Colombia* loans)	7	7	2
Total	**292**	**262**	**248**

* *until acquisition / disposal date*

32. Related party transactions (continued)

As at December 31, 2014 the Company had the following balances with related parties:

	2014	2013 (restated)
	US$ millions	US$ millions
Liabilities		
Debt and Financing:		
Finance lease payables to tower companies	127	239
Amounts due to non-controlling interests associates and joint venture partners		
Payables to Miffin	10	84
Others		
Payable to AIH for 13.33% increase (note 4)	31	1
Other accounts payable	16	–
Total	**184**	**324**
Assets		
Other non-current assets		
Loan to Helios Towers Tanzania	18	13
Others	6	–
Advances to non-controlling interests		
Advances to Miffin	212	–
Advances to Centrotel	88	69
Others		
Loan to Helios Towers DRC	–	35
Loan to ATC Colombia BV	–	32
Other accounts receivable	25	16
Total	**349**	**165**

33. Financial risk management

Terms, conditions and risk management policies

Exposure to interest rate, foreign currency, non-repatriation, liquidity, capital management and credit risks arise in the normal course of Millicom's business. The Group analyses each of these risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. Millicom's risk management strategies may include the use of derivatives. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Interest rate risk

Interest rate risk generally arises on borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relates to both of the above. To manage the risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be equally distributed between fixed and variable rates. The Group actively monitors borrowings against target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed

33. Financial risk management (continued)

periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At December 31, 2014, approximately 69% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates with interest rate swaps (2013: 75%).

Interest Rate Swaps

At December 31, 2014 the Group had a floating to fixed interest rate swap in Luxembourg for nominal amount of Swedish Kronor 1.75 billion entered into in 2012 with maturity in 2017 to hedge against floating rates of interest on debt (see note 31).

As the timing and amount of the cash flows under this swap agreement match the cash flows of the underlying debt instrument, the swap was assessed as highly effective, thus qualifying for cash flow hedge accounting. Accordingly the effective portion of the changes of the swap value are recorded in other comprehensive income.

The following swaps were terminated during the year as the corresponding loan facilities to which the swaps related were repaid.

- In Honduras for a nominal amount of $30 million entered into in 2010 with original maturity in 2015.
- In Costa Rica for a nominal amount of $105 million entered into in 2010 with original maturity in 2017.

The table below summarizes, as at December 31, 2014, the group's fixed rate debt and floating rate debt (including hedging activities):

	Amounts due within						
	1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
	(in millions of U.S. Dollars, except percentages)						
Fixed rate	79	53	344	294	42	2,531	3,343
Weighted average nominal interest rate	6.73%	6.82%	8.50%	5.11%	7.95%	7.21%	7.15%
Floating rate	283	271	205	187	181	359	1,486
Weighted average nominal interest rate	5.89%	7.30%	6.92%	7.60%	7.14%	8.25%	7.23%
Total	**362**	**324**	**549**	**481**	**223**	**2,890**	**4,829**
Weighted average nominal interest rate	6.07%	7.22%	7.91%	6.07%	7.29%	7.51%	7.15%

33. Financial risk management (continued)

The table below summarizes, as at December 31, 2013, our fixed rate debt and floating rate debt:

	Amounts due within						
	1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
(restated)	(in millions of U.S. Dollars, except percentages)						
Fixed rate	134	89	82	826	37	1,776	2,944
Weighted average nominal interest rate	7.98%	6.36%	6.38%	7.13%	8.27%	7.42%	6.88%
Floating rate	289	72	97	145	133	247	983
Weighted average nominal interest rate	3.09%	6.65%	7.09%	5.93%	6.77%	8.35%	5.98%
Total	**423**	**161**	**179**	**971**	**170**	**2,023**	**3,927**
Weighted average nominal interest rate	4.64%	6.49%	6.76%	6.95%	7.10%	8.08%	6.75%

A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at December 31, 2014, would increase or reduce profit before tax from continuing operations for the year by approximately $17 million (2013: $10 million).

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures where the Group operates. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar. In some cases, Millicom may also borrow in US dollars where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

Foreign Currency Swaps

At December 31, 2014 the Group had the following foreign currency swap contracts (see note 31):

- In Luxembourg for a nominal amount of Swedish Kronor ('SEK') 2 billion from October 2012, receiving US dollars to hedge against exchange rate fluctuations for the notional amount of SEK 2 billion and interest payments on this principal.
- In Luxembourg for a nominal amount of Euro 134 million from June 2013, receiving US dollars to hedge against exchange rate fluctuations on a seven year Euro 134 million principal and related interest financing of its operation in Senegal.
- In Luxembourg for nominal amount of Euro 41.5 million from July 2013, receiving US dollars to hedge against exchange rate fluctuations on a seven year Euro 41.5 million principal and related interest financing of its operation in Chad.

33. Financial risk management (continued)

The following table summarizes debt denominated in US$ and other currencies at December 31, 2014 and 2013 (excluding hedging activities).

	2014	2013 (restated)
	US$ millions	US$ millions
Total US$	**3,480**	**3,023**
Colombia	848	444
Chad	55	25
Tanzania	105	109
Honduras	145	121
Bolivia	162	177
Ghana	20	23
Other	14	5
Total non-US$ currencies	**1,349**	**904**
Total	**4,829**	**3,927**

At December 31, 2014, if the US dollar had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by $50 million and $61 million respectively (2013: $30 million and $36 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with functional currencies other than the US dollar.

Non-repatriation risk

Most of the operating subsidiaries receive a substantial amount of revenue in the currency of the countries in which they operate. The Group derives substantially all its revenue through funds generated by local operations and, therefore, Millicom is dependent on the ability of its subsidiaries and joint venture operations to transfer funds to the Company.

Although foreign exchange controls exist in some of the countries in which Millicom Group companies operate, none of these countries currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where the Group operates, or foreign exchange controls may be introduced in countries where the Group operates that do not currently impose such restrictions. If such events were to occur, the Company's ability to receive funds from the operations could be subsequently restricted, which would impact the Company's ability to make payments on its interest and loans and, or pay dividends to its shareholders.

In addition, in some countries, it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this are time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group's results of operations.

Credit and Counterparty risk

Financial instruments that potentially subject the Group to credit risk are primarily cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners, supplier advances and other current assets and derivatives. Counterparties to

33. Financial risk management (continued)

agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and have diversified its banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set based on each banks credit rating.

A large portion of turnover comprises prepaid airtime. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Accounts receivable also comprise balances due from other telecom operators. 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. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

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

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has incurred significant indebtedness but also has significant cash balances. Millicom 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 Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, vendor financing, Export Credit Agencies and Development Finance Institutions ("DFI") loans, and finance leases. Millicom believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC and FMO), who have been established specifically to finance development in the Group's markets. Millicom has diversified its financing with commercial banks representing about 23% of its gross financing (2013: 26%), bonds 69% (2013: 64%), Development Finance Institutions 2% (2013: 3%), and finance leases 6% (2013: 7%).

33. Financial risk management (continued)

The tables below summarize the maturity profile of the Group's net financial liabilities at December 31, 2014 and 2013.

Year ended 31 December 2014	Less than 1 year	1 to 5 years	>5 years	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Total borrowings (see note 26)	(362)	(1,577)	(2,890)	(4,829)
Cash and cash equivalents	694	–	–	694
Restricted cash	128	–	–	128
Pledged deposit (relating to bank borrowings)	6	2	–	8
Time deposits	2	–	–	2
Derivative financial instruments (SEK currency swap)	–	(43)	–	(43)
Net cash (debt) including derivatives related to debt	**468**	**(1,618)**	**(2,890)**	**(4,040)**
Future interest commitments(i)	(335)	(1,055)	(106)	(1,496)
Trade payables (excluding accruals)	(481)	–	–	(481)
Put options	(2,260)	–	–	(2,260)
Other financial liabilities (including accruals)	(1,326)	–	–	(1,326)
Call option	–	74	–	74
Trade receivables	492	–	–	492
Other financial assets	378	113	–	491
Net financial liability	**(3,064)**	**(2,486)**	**(2,996)**	**(8,546)**

Year ended 31 December 2013 (restated)	Less than 1 year	1 to 5 years	>5 years	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Total borrowings (see note 26)	(423)	(1,481)	(2,023)	(3,927)
Cash and cash equivalents	909	–	–	909
Restricted cash	80	–	–	80
Short-term escrow investments	800	–	–	800
Pledged deposit (relating to bank borrowings)	17	–	–	17
Derivative financial instruments (SEK currency swap)	–	10	–	10
Net cash (debt) including derivatives related to debt	**1,383**	**(1,471)**	**(2,023)**	**(2,111)**
Other derivative financial instruments	–	1	(21)	(20)
Future interest commitments(i)	(264)	(845)	(76)	(1,185)
Trade payables (excluding accruals)	(335)	–	–	(335)
Put option	(792)	–	–	(792)
Other financial liabilities (including accruals)	(1,132)	–	–	(1,132)
Trade receivables	282	–	–	282
Other financial assets	178	83	–	261
Net financial liability	**(680)**	**(2,232)**	**(2,120)**	**(5,032)**

(i) Includes unamortized difference between carrying amount and nominal amount of debts.

33. Financial risk management (continued)

Capital management

The primary objective of the Group's capital management is to ensure that it maintains 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 economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. At December 31, 2014 Millicom is rated at one notch below investment grade by the independent rating agencies Moody's (Ba1 negative) and Fitch (BB+ stable). The Group primarily monitors capital using net debt to adjusted operating profit as well as a set of other indicators.

	2014	2013 (restated)
	US$ millions	US$ millions
Net debt (see note 26)	3,997	2,121
Adjusted operating profit (see note 9)	2,112	1,414
	Ratio	Ratio
Net debt to adjusted operating profit ratio	**1.9**	**1.5**

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

	2014	2013 (restated)
	US$ millions	US$ millions
Net debt (see note 26)	3,997	2,121
Equity	3,747	2,081
Net debt and equity	**7,744**	**4,202**
Gearing ratio	**52%**	**50%**

34. Financial instruments

The fair value of Millicom's financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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. The fair values of all debt and financing have been estimated by the Group based on discounted future cash flows at market interest rates.

34. Financial instruments (continued)

The following table shows the carrying and fair values of financial instruments as at December 31, 2014 and 2013:

	Carrying value		Fair value	
	2014	2013 (restated)	2014	2013 (restated)
	US$ millions	US$ millions	US$ millions	US$ millions
FINANCIAL ASSETS				
Pledged deposits (see note 19)	2	–	2	–
Other non-current assets	113	83	113	83
Trade receivables, net	492	282	492	282
Amounts due from non-controlling interests, associates and JV partners	212	67	212	67
Prepayments and accrued income	283	156	283	156
Advances to non-controlling interest	88	69	88	69
Call option	74	–	74	–
Other current assets	109	894	109	894
Restricted cash	128	80	128	80
Cash and cash equivalents	694	909	694	909
Total	**2,195**	**2,540**	**2,195**	**2,540**
Current	2,006	2,457	2,006	2,457
Non-current	189	83	189	83
FINANCIAL LIABILITIES				
Debt and financing (see note 26)	4,829	3,927	3,652	2,962
Trade payables	386	239	386	239
Payables and accruals for capital expenditure	371	424	371	424
Derivative financial instruments	43	23	43	23
Put options	2,260	792	–	–
Amounts due to non-controlling interests and JV partners	4	84	4	84
Accrued interest and other expenses	501	369	501	369
Other liabilities	339	165	339	165
Total	**8,733**	**6,023**	**5,296**	**4,266**
Current	4,148	2,452	1,888	1,660
Non-current	4,585	3,571	3,408	2,606

Fair value measurement hierarchy

Effective January 1, 2009, Millicom adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value, which requires 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).

34. Financial instruments (continued)

Derivative financial instruments are measured with reference to Level 2, except for the call option in Honduras and in Guatemala (see note 27) which are measured with reference to level 3. The change in fair value of the Guatemala call option of $46 million is recorded under non-operating (expenses) income, net. The fair value of the call option has been determined by using an option pricing model (Monte Carlo simulation using the Longstaff Schwartz algorithm). The Honduras and Guatemala put option liabilities are carried at the present value of the redemption amount and is therefore excluded from the fair value hierarchy. No other financial instruments are measured at fair value.

35. Subsequent events

Dividend

On February 3, 2015 Millicom announced that the Board will propose to the Annual General Meeting of the Shareholders a dividend distribution of $2.64 per share to be paid out of Millicom profits for the year ended December 31, 2014 subject to the Board's approval of the 2014 Consolidated Financial Statements of the Group.

Agreements to acquire Sur Multimedia (Paraguay) and the remaining shares in Tigo Rwanda

On January 20, 2015 Millicom's Paraguay operation reached agreement to acquire a 100% stake in the cable business Sur Multimedia and on February 10, 2015 Millicom reached agreement to acquire the remaining 12.5% non-controlling interest in its Rwandan business. These acquisitions will be made for cash consideration of approximately $31 million. The completion of the Sur Multimedia transaction remains subject to customary closing conditions being met including obtained regulatory approvals.

Appointment of Mauricio Ramos as CEO

On March 2, 2015 Millicom appointed Mauricio Ramos as its new Chief Executive Officer with effect from April 1, 2015.

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