Creating digital communities

MILLICOM
THE DIGITAL LIFESTYLE

Creating digital communities

We are a leading telecommunication and media company focused on emerging markets. We operate in 13 countries across Latin America and Africa. A young population and a growing middle class provide huge opportunities for us to deliver The Digital Lifestyle™.

We are building world-class mobile, mobile data and cable technology for our customers. We build responsibly and profitably for investors and we are creating the digital innovation to support the communities where we operate.

Integrated reporting
This year we are publishing our first integrated Annual Report that brings together our corporate responsibility and annual reports. It is a natural evolution for us that reflects both the strong social and economic impact of our products and services on our markets and how we continue to embed responsible business practice within our business processes. Our reporting is also in line with our commitment to transparency and is a key element of building trust with our shareholders and wider stakeholders.

Millicom at a glance

We provide fixed and mobile communications services, cable and satellite TV, Mobile Financial Services (MFS) and local content, such as music and sports, to more than 57 million customers via our main consumer brand TIGO®.

At TIGO BUSINESS™, we deliver digital solutions for governments, multinationals, large corporations and small and medium sized businesses.

Our mission is to lead the adoption of The Digital Lifestyle™ in our markets and, by doing this, we will empower customers, employees, partners, communities and societies to advance in life and find joy.

MILLICOM
THE DIGITAL LIFESTYLE

Mobile
Mobile data
Voice
SMS
Mobile Financial Services

tigo Shop   Mi tigo
tigo money

Home
PayTV
Broadband internet
Direct-To-Home (DTH) TV

tigo MUSIC
tigo SPORTS

Business (B2B)
Fixed & mobile solutions
Data centers
Cloud services
M2M
Other services

tigo business

♀ Countries
♀ Corporate Offices

Revenue split by region:

86% Latin America
14% Africa

What we do in Latin America

Bolivia, El Salvador, Guatemala, Honduras, Paraguay	Mobile, B2B, Home, MFS
Colombia	Mobile, B2B, Home
Costa Rica	Home, B2B
Nicaragua	B2B

What we do in Africa

Chad, Ghana, Rwanda, Senegal, Tanzania	Mobile, B2B, MFS

Millicom at a glance – continued

Our year in numbers[1]

The following dashboards highlight the year's key figures across financial, operational and corporate responsibility.

Revenue US$m

-0.4%
organic growth[2]

2016 US$6,249m   2015 US$6,572m

Adjusted EBITDA margin[2] US$m

35.6%

2016 US$2,225m

Home as a % of LatAm revenue

18.7%
all technologies

2016 US$1,002m   2015 US$983m

Mobile data users[3]

36.0%
penetration rate

2016 21.0m   2015 18.0m

OCF growth (EBITDA – Capex)[2] US$m

22.7%

2016 US$1,141m   2015 US$930m

ROIC[2] % excluding corporate

16.0%

2016 16.0%   2015 15.5%

Employees[4]

17,985
Read more on our people
see pages 21-22

Women in senior management

29%
Read more on diversity
see pages 74-75

Senior managers recruited locally

86%
Read more on our people
see pages 21-22

Employees who have acknowledged the Code of Conduct

81%
Read more on compliance
see pages 67-69

Absolute reduction in carbon emissions

8%
Read more on reducing our environmental footprint
see pages 70-73

Strategic suppliers who signed the Supplier Code of Conduct

79%
Read more on responsible supply chain management
see pages 78-79

Revenue US$m

LatAm	5,352
Africa	896

LatAm business unit revenue split %

Mobile	61
Cable	29
MFS	1
Other	9

Africa business unit revenue split %

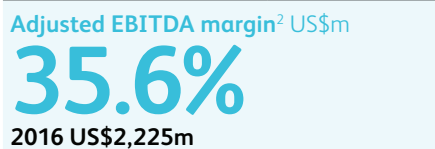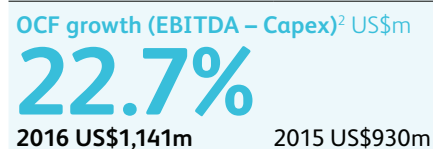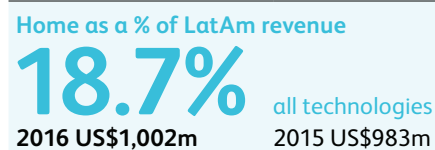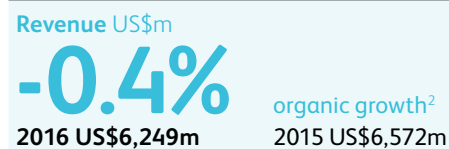|	
Mobile	83
Cable	2
MFS	11
Other	4

Employees by region

LatAm[4]	15,964
Africa	1,674
Corporate offices	347

Footnotes:

1. Guatemala and Honduras businesses fully consolidated. See 'Additional information' on pages 197 to 200 for reconciliation with IFRS numbers. The comparative 2015 financial information has been re-presented as a result of the classification of our operations in DRC as discontinued operations (in accordance with IFRS 5).
2. Alternative performance measures used in this Annual report are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. It should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Additional information" on pages 197 to 200 for definitions and reconciliations to the closest respective equivalent IFRS measures.
3. Penetration rate calculated as Mobile Data subscribers divided by Total Mobile Subscribers
4. 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.

Market overview

We are dedicated to emerging markets and committed to building on our success in bringing The Digital Lifestyle™ to our customers in these markets. We see exciting opportunities to continue growing together with the economies and markets that we operate in.

Underpinning our strategy is the knowledge that we operate in a fast-moving, continuously changing industry.

Millicom plays a leading role in connecting people who previously have had no access to the internet, either fixed or mobile. We are enabling them to move swiftly from mainly voice-call and text messaging based services towards new communications primarily based on data, so they can use the internet and access social media while on the move, download and upload photos and videos from their mobile devices, download and play games, and utilize the enormous range of specialist consumer and business applications that can now be accessed at any time and from anywhere.

In the residential market, the range of fixed-line services that customers demand is expanding rapidly beyond telephony and the traditional linear TV viewing model, into a world of high-speed broadband, with all of the two-way capabilities and vast array of information and services on offer.

Market overview – continued

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.

New research by Oxford Economics forecasts that the middle class in our markets will grow by around 5% per annum over the next ten years. This will drive a major increase in demand for digital products and services.

For example, Cisco's latest index forecasts predict internet traffic growth of more than 5% year-on-year in Latin America between now and 2020, with customers expected to triple the time they spend on mobile devices.

As well as wanting more data, consumers and businesses will increasingly expect the same services to be delivered through all of their terminals and devices, blurring the distinction between fixed-line and mobile data services.

To enable this convergence of fixed and mobile products, we are rapidly expanding our state-of-the-art fixed networks in Latin America, and increasing our broadband and PayTV footprint. We have also created strategic partnerships with a number of global and local digital players to provide relevant content for our customers, including sports, movies and music.

Our work to expand our 4G mobile network, increase smartphone penetration and grow new mobile data and digital revenue streams, is also capitalizing on the rapid adoption of data services.

We have seen a decline in Voice and SMS services, which had an impact on revenues in our Latin American markets. However, our strategy is built around this evolution of data and is fully focused on exploiting the new opportunities presented by the rapid growth of data services.

Moving data customers up to 4G
Increasing value

4G LTE subscribers

Faster and better
Customers with high demand for data, leading to high level of consumptions with enhanced customer experience at cheaper production cost

++++ ARPU

45%
2016 coverage
32% – 2015 coverage

Mobile data users

Develop data appetite
Develop and grow the need for data through innovative products and services

++ ARPU

21m
FY 2016
18m – 2015

Total mobile base

Our market forces

Government policy · GDP growth · Regulation · Taxation · Currency volatility · Corruption index · Population growth · Customer segmentation · Average income levels · Competition · Population age
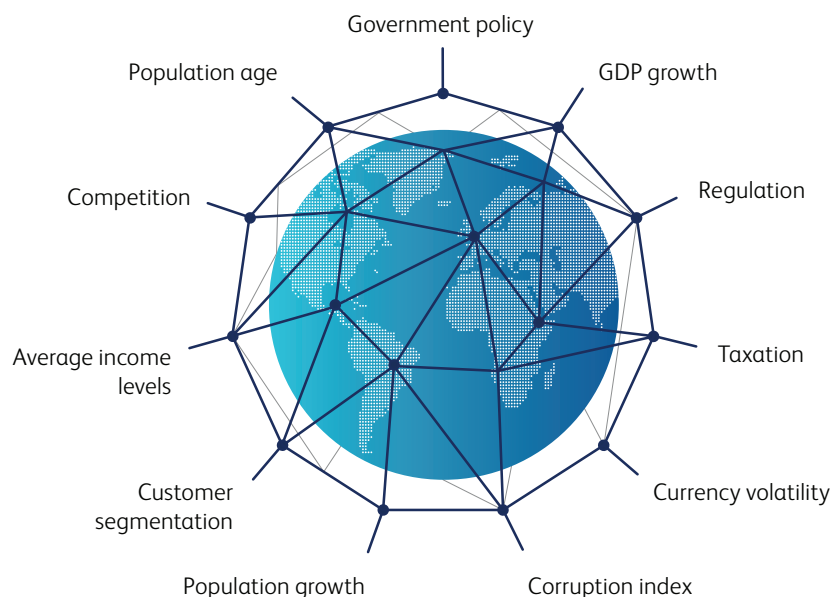
Market overview – continued

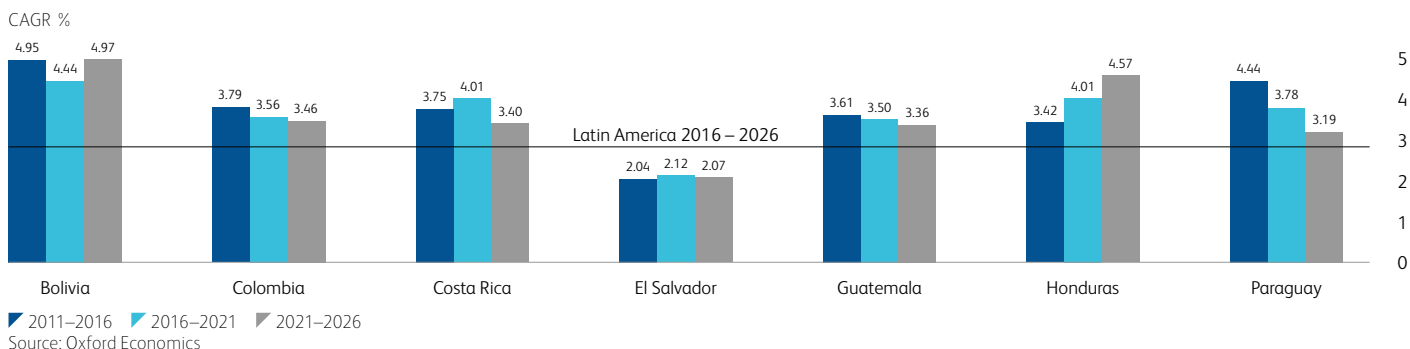## Understanding the macro-economic drivers in Latin America

In 2016, Millicom commissioned Oxford Economics, a leading macro-economic forecaster, to provide a long range review of the growth prospects and economic environments in each of our markets.
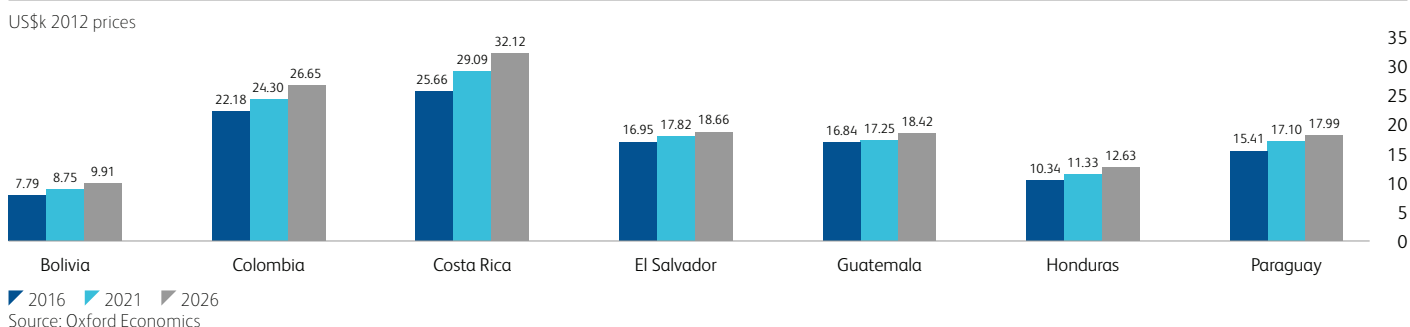
Read more here

OXFORD ECONOMICS

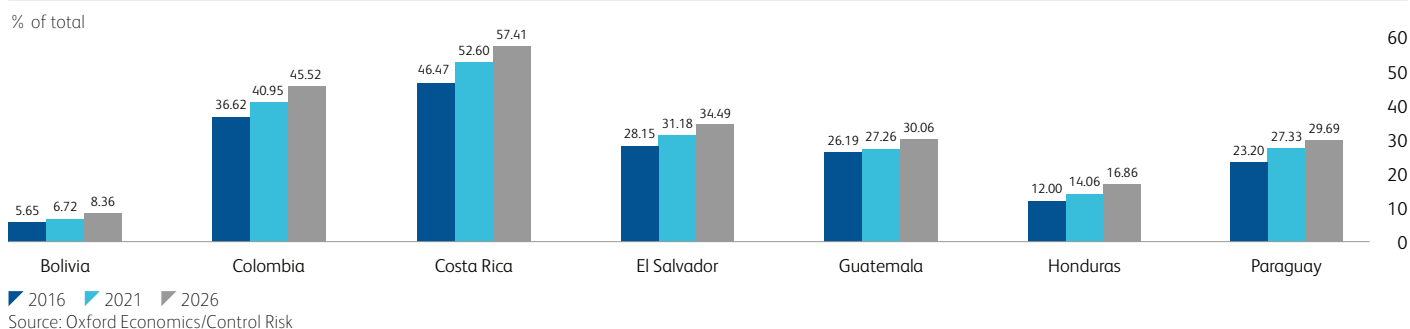## GDP

CAGR %

	Bolivia	Colombia	Costa Rica	El Salvador	Guatemala	Honduras	Paraguay
2011–2016	4.95	3.79	3.75	2.04	3.61	3.42	4.44
2016–2021	4.44	3.56	4.01	2.12	3.50	4.01	3.78
2021–2026	4.97	3.46	3.40	2.07	3.36	4.57	3.19

Latin America 2016 – 2026

2011–2016   2016–2021   2021–2026
Source: Oxford Economics

Average household disposable income

US$k 2012 prices

	Bolivia	Colombia	Costa Rica	El Salvador	Guatemala	Honduras	Paraguay
2016	7.79	22.18	25.66	16.95	16.84	10.34	15.41
2021	8.75	24.30	29.09	17.82	17.25	11.33	17.10
2026	9.91	26.65	32.12	18.66	18.42	12.63	17.99

2016   2021   2026
Source: Oxford Economics

Households with income >$20k

% of total

	Bolivia	Colombia	Costa Rica	El Salvador	Guatemala	Honduras	Paraguay
2016	5.65	36.62	46.47	28.15	26.19	12.00	23.20
2021	6.72	40.95	52.60	31.18	27.26	14.06	27.33
2026	8.36	45.52	57.41	34.49	30.06	16.86	29.69

2016   2021   2026
Source: Oxford Economics/Control Risk

Market overview – continued

Commodity prices and foreign exchange rates have continued to influence our markets. Other challenges have included managing development in areas of poor security, weak infrastructure, and evolving regulatory requirements. For more detail, see page 45 Regional Review.

The need for differentiation

Competition has become tougher in some of our markets. Here, we have sought to maintain our competitive position by focusing on providing innovative offers across fast, reliable networks, and by leading on significant positive initiatives that reflect our commitment to sustainability and to acting ethically at all times.

Our customer is front and center of everything we do. Our aim is to provide an efficient, first-time-right service that delivers real value.

By building partnerships with major global content developers, we are able to connect our customers to a near-limitless world of audio, video and other online media. By continuing to innovate with our platforms, developing our services and expanding our infrastructure, we can offer better ways to work, shop and play.

This connectivity and the surge in the use of smart devices will continue to open up access to services.

Focused on convergence

Where the convergence of mobile and fixed networks was once largely focused on Voice, over the past few years it has rapidly expanded to include the internet and entertainment. All now must be seamlessly connected at work and at home.

Millicom is building this convergence, often leading the way in terms of access and technology.

As well as improving and expanding our fixed network, we have also invested in building a number of data centers to consolidate and grow our B2B sector. Our cloud technology is already helping to support a diverse range of small and medium-sized businesses, large national corporations, governments and multinationals in our markets.

And through our partnerships with other global businesses, such as Microsoft, we are able to offer best-in-class solutions.

Engaging with regulatory authorities

In much of our footprint, regulation around telecom and digital services – as well as the legal and tax environment – is continuously evolving, creating a level of uncertainty. Issues such as cybersecurity, data privacy, and spectrum allocation are the subject of increasing regulations by policy makers.

Because we believe regulation must strike a balance between investment stimulation and consumer benefit, we take an active role in working closely with governments and policy-making bodies to drive best practice.

Acting responsibly

Our markets and customers are increasingly interested in how we do business and deliver wider value to our communities.
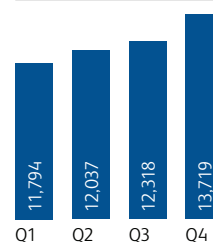
It is Millicom's objective to be a responsible agent for positive change wherever we operate. Being a responsible business is not only the right thing to do, it is central to managing risks in our operating environment and to strengthening trust with customers, investors, employees and other stakeholders.

Our partnership with UNICEF on child online protection and our work on privacy and freedom of expression are fundamental to our corporate responsibility aims, as is our investment in the communities in which we work.
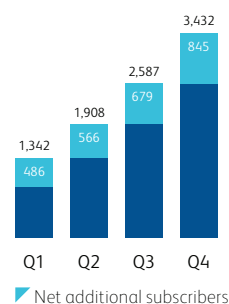
You can read more about our approach and the eight key corporate responsibility issues in Corporate Responsibility Performance Review starting on page 60.

Our customers: moving up the value ladder

Total data subscribers '000

Q1	Q2	Q3	Q4
11,794	12,037	12,318	13,719

Total 4G subscribers growth '000

	Q1	Q2	Q3	Q4
Net additional subscribers	486	566	679	845
Total	1,342	1,908	2,587	3,432

▶ Net additional subscribers

Market trends in Latin America and Africa

Latin America

The markets where we operate have higher medium-term growth outlooks than the LatAm average.

Costa Rica, Colombia, El Salvador, Guatemala and Paraguay are all expected to have average household incomes approaching or above US$20,000 within the next ten years, helping to fuel the growth of the middle class and greater purchasing power.

However, overall GDP growth has slowed in most Latin American countries as the region has been buffeted by weak commodity prices, with many countries having limited scope for policy response.

In the short term, we expect to see continued strengthening of the US dollar against many of the local currencies where we operate, especially those countries with high exposure to commodity prices.

Market overview – continued

Most of our markets offer strong growth potential. Indeed, in B2B specifically, half of our revenues came from Colombia, where we anticipate growth in B2B to continue to exceed average market growth.

We have seen our Voice services decline faster than expected over 2016, but this has been offset by a faster take-up of our digital services.

Our focus on providing accessible, secure digital platforms, channels and ongoing innovation has been key and will continue as a priority in 2017.

In Latin America, we have put great focus on enhancing our network capacity and improving our customer experience. Better customer experience helps boost data consumption and brand perception and hence, our data traffic has increased. Additionally, we have achieved and surpassed our 2016 aim to build and monetize fixed networks, passing over eight million homes.

Africa

In Africa, we operate in five diverse markets, where smartphone and data penetration vary widely. Greater market maturity and more intense competition mean that we have concentrated our focus on attracting high-value customers and on providing better coverage and a reliable network.

Revenue from Voice is still growing in our markets here and so we will continue to capture Voice value as well as driving a trend away from multi-SIMs. At the same time we will monetize data growth and develop our B2B opportunities.

Over the past year, we have invested in network modernization and upgrades across our African footprint. This acceleration program has achieved its aim of simplifying and speeding up the pace of our African operations, creating efficiencies and centers of excellence to drive revenue growth.

On a country-specific level, Ghana showed very positive momentum with a more stable currency and Rwanda and Senegal also delivered strong performances. Chad suffered macro-economic and security issues, and growth was flat. In April 2016, our Democratic Republic of Congo operation was sold to Orange.

> "Our acceleration program in Africa has achieved its aim of improving revenue growth."

Our biggest African country by revenue, Tanzania, has also been the one facing the biggest challenges. Growth remains good, but we faced a number of headwinds: aggressive competition from a new mobile operator, as well as changing government policies. However, our strong Tigo brand perception helped us move ahead to become the largest operator by market share.

A key focus in 2017 is to grow market share in B2B and to comply with government regulations to list the business on the local stock exchange. We believe we can play a significant part in the growth of this market in the region.

Connected women

Worldwide, the GSMA estimates that 200 million fewer women than men own a mobile phone in low and middle income countries. Closing this gender gap could unlock up to US$170 billion globally for the mobile industry before 2020. This is also a great opportunity for Millicom in our markets.

GSMA's Connected Women Initiative is working to help the industry to address the barriers in connecting women and reducing the gender gap in the use of mobile internet and mobile money services.

In July 2016, Millicom became the first operator to commit all its Africa operations to the initiative. Later in the year, Tigo Paraguay became the first operator in Latin America to sign a commitment to reduce the gender gap in its mobile data customer base.

Read more here

Chairman's statement

Dear Shareholder,
Millicom is driving transformational change for people in Latin America and Africa who want to be connected on the go, at home, or at work. In this, my first statement as Chairman of the Board of Millicom, I am inspired by Millicom's ability to bring about digital inclusion, as well as its past performance, and its strong growth potential.

We have delivered strong results, despite weaker than expected revenues during the year, brought about by challenging macro-economics in some of our largest markets. We remain focused on driving efficiencies and on growth in margins.

Executing our strategy
Millicom's strength lies in its strategic focus and execution capability, so it was with unanimous agreement that the Board was able to approve the detailed strategy that was presented to us in June.

Chairman's statement – continued

Millicom's strategy is thorough yet simple. It retains absolute focus on four pillars: providing leading digital services; monetizing mobile data and building fixed networks; delivering operational efficiencies and acting responsibly in the communities where we operate. Over-arching our strategy is the ultimate transformational goal – to become a customer-centric organization, delivering on the fast-paced expectations of increasingly digitally-sophisticated consumers.

With disciplined capital allocation, a strengthened balance sheet, and focus on the right fixed and mobile targets, the execution of our strategy is now in full force.

Board committees

During 2016, the activities of the former Government Relations and Corporate Responsibility Committee were incorporated into the scope of the full Board.

The Compliance and Business Conduct Committee (established in November 2015) commenced its activities in 2016, meeting seven times during the year, and providing the Board with oversight and recommendations regarding the Group's compliance program and standards of business conduct.

These changes were initiated as part of the Board's commitment to strengthen its oversight over business.

Dividend

The Board remains committed to creating value for shareholders and we are confident that by executing our strategy, delivering efficiencies, and investing carefully, we will achieve this. We are pleased to recommend a final dividend of US$2.64 per share this year.

Board, management and colleagues

We thank our Board members who have stepped down this year, Anders Borg, Paul Donovan and Dame Amelia Fawcett, for their dedicated service. I would like to express particular recognition to Cristina Stenbeck, who stepped down as Chairman of the Board in May 2016. It was Cristina who initiated the significant transformations that have taken place in the Company over the past two years. This year's appointments to the Millicom Board support the profound transformations taking place and we welcomed Ms. Janet Davidson, Mr. José Miguel Garcia Fernández and Mr. Simon Duffy as new Non-Executive Directors.

Mauricio Ramos, our Chief Executive Officer, and his leadership team are highly experienced, talented and entirely dedicated to inspiring every colleague to achieve our vision and deliver on the potential of the business.

Outlook

We expect that external conditions in some of our larger markets will remain challenging during 2017. However, the fundamental demand within our markets, driven by demographics and the increasing appetite for fixed and mobile connectivity continues to grow. With the ongoing re-orientation of our business towards our customers and convergence, we are well placed to navigate this tough trading climate and we will take every opportunity to deliver successfully upon our strategy.

Tom Boardman
Chairman of the Board of Directors

> The ultimate transformational goal is customer centricity."

Our business model

Millicom connects people to the internet and delivers the vital services that are enabled by this connection, to the home, at work and on the move. By investing in the best available technology and the best talent, we are able to create a compelling digital lifestyle for our customers.

The rapid transition towards this digital lifestyle delivers economic growth, and in particular growth of the knowledge-based economy; this brings with it a wide range of potential social benefits – in education, in health, in community cohesion, in financial inclusion – in short, it can deliver a better quality of life.

Our business is therefore to build state-of-the art fixed and mobile networks as well as on our use of this infrastructure to deliver build services for consumers and businesses.

We are rapidly increasing the digital capabilities of our mobile networks, 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.

We are rapidly expanding our footprint of state-of-the-art Hybrid Fiber Coaxial (HFC) fixed networks, passing homes and business premises and connecting them to our infrastructure.

We are monetizing the substantial investment we make in fixed and mobile networks by providing high quality, secure connectivity as well as innovative, compelling value-for-money services that consumers and businesses demand, placing a targeted multi-channel distribution network at their service.

This build-out of our fixed and mobile networks is underpinned by substantial further investment in converged IT systems, that are engineered to manage all of our business operations and enable our services to be developed, delivered and monetized efficiently.

As we usually have substance (people, networks, assets) in each of the markets where we operate, it is important we are a responsible member of the community where we work and set a good example with our corporate behavior. We are an integral part of the communities that we serve, so it is important that our business creates sustainable long-term social and economic value.

This is reflected in our partnerships with organizations such as UNICEF and GSMA, in social investment programs for education, child protection and community development. Our corporate citizenship is also reflected in our objectives to reduce energy consumption and recycle electronic waste responsibly.

To lead all the changes that our business model demands, we have developed a vibrant working culture that is focused on performance and delivery. Our training, personal development and career progression management is enabling people to achieve their own career aspirations within a framework of inclusion and diversity at all levels within the Company.

How we create value

Value created
For our customers: all of the opportunities and benefits of The Digital Lifestyle™.
For our communities: digital inclusion, economic growth
For our shareholders: cash flow growth, total shareholder return (TSR) growth

Core services
Mobile: Voice, SMS and data services; MFS; pre and post-paid contracts.
Home: fixed-line telephony, high-speed broadband, PayTV including premium content, DTH (Direct to Home)
B2B: Voice, SMS and data services, fixed-line telephony, high-speed broadband, managed services including Cloud

Resources and expertise
**Mobile networks:** state-of-the-art 4G plus 3G and 2G
Fixed networks: state-of-the-art HFC ("Hybrid Fiber Coaxial")
IT infrastructure: converging "back office" systems
Distribution: multiple targeted channels to market
Suppliers and partners: high quality, competitive technology, win-win relationships
People: customer-focused, deep market knowledge, expertise, performance orientated
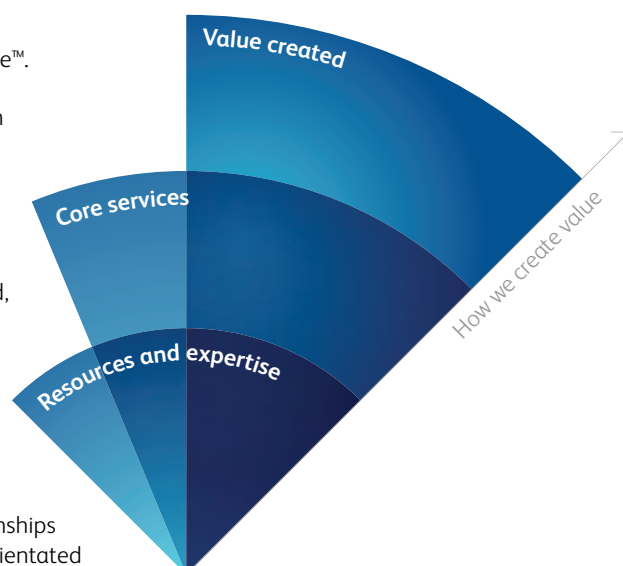
How we manage our corporate responsibility

Our business strategy and how we deliver it has social and environmental implications. By focusing on key topics we can make a positive difference in the communities where we work.

We continually work to understand and monitor the social and environmental topics that rise from our business operations or that pose concern to our different stakeholder groups – from investors to customers and the wider communities where we operate.

We identify our most material social and environmental impacts through internal risk and impact assessments and external stakeholder engagement.

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 impacts.

Ongoing stakeholder dialog
As well as monitoring each topic internally, we maintain regular dialog with stakeholders at both global and country level – including responsible investors, industry peers, NGOs and governments.

This dynamic engagement enables us to put our priorities and initiatives to the test on a regular basis. We have established long-term partnerships with a number of organizations. At country level, we have various platforms such as Voice of Customer committees, social media, and Brand Tracker surveys to engage with our customers, and we also engage with local governments and NGOs.

Our social and environmental priorities

High importance for stakeholders

Disaster preparedness and response

Land acquisition and management for our network: community engagement, fair pricing and anti-corruption measures

Tax transparency

Right to join trade unions and freedom of association

Living wage

Conflict minerals

Raising awareness on health impacts of electromagnetic frequency

Employee training

Privacy and freedom of expression

Child protection

Anti-corruption compliance

Health and safety of employees

Responsible supply chain management

Social innovation through our products and services

Clarity of pricing and billing

Talent attraction and development

Local recruitment and ethnic diversity

Responsible marketing

LGBT rights

Safe use of mobile phones while driving

Employment of disabled persons

Digital inclusion of blind and deaf people

Executive and Board remuneration

Reducing our environmental footprint

Promoting diversity

Social investment

Stability and reliability of the network

High importance for our business strategy ❯

Strategy

This section contains a comprehensive look at our business. Introduced by our Chief Executive Officer, it is a forward looking evaluation that includes a review of how we deliver, how we create and sustain value, and our selection of performance metrics.

Chief Executive Officer's review

After almost two years into my appointment as CEO, I am energized by the work we have been able to accomplish and the focus with which we continue to deliver our strategy.

Our goal is to become a high-performing, high-growth, fixed mobile convergent (FMC) operator focused on equity value creation.

For this we have defined a clear, and clearly articulated, operational strategy; an ambitious set of operational priorities; setting and keeping the bar high on ethical and responsible ways of doing business; robust financial targets over the next three to five years that are fully aligned with the operational strategy; and a cash flow model to underpin our equity value creation model.

Chief Executive Officer's review – continued

I am pleased to say we have made great progress in 2016. We continued to monetize data and significantly expanded our cable network. We also continued to drive reconfiguration of our revenue mix to mitigate the faster than expected decline in our voice and SMS business which made our revenue growth weaker as the year progressed.

In the second half of the year, we focused on creating a high-performance culture, turning up the heat on transformation, efficiency and cost control through an important project we launched during the year, namely our HEAT project. With this project we aim to capture the next era of efficiencies that the digital transformation can offer.

Our strategy is clear and simple. We will:

- **Lead digital:** internally, we will leverage our digital transformation to become a much leaner operation. For our customers, we will continue to innovate and partner with other digital players to offer our customers the best services and local content.

- **Monetize data and build cable**: we build cable; home residential and B2B and we are focused on reconfiguring our revenue, creating a lighter, more digital organization which will deliver increased cash flows and in turn Total Shareholder Returns (TSR).

- **Deliver value:** as we embrace our digital transformation, we are reconfiguring our business to create a long term efficient and sustainable cost structure. Reconfigured revenue, lighter and digital organization will deliver increased cash flows and in turn TSR.

- **Act responsibly:** do business the right way and drive positive change in the societies where we operate.

Leading Digital
We are developing partnerships with key digital players such as Netflix and Microsoft and using technology as an enabler to increase our operational efficiency, agility and brand strength.

Millicom can offer its partners the opportunity to acquire new customers in a new region, adding our deep understanding of the markets we operate in. In Latin America for instance, we offer our digital partners more than 700 thousand distribution points. These are unrivalled touchpoints into our markets and a key competitive advantage.

We will also look at every opportunity to automate more processes across our business so that we can continue to improve our reliable, efficient services for our customers.

Our strategy

Lead digital	Monetize data, build cable	Deliver value	Act responsibly
Digital innovation and digital services: innovate and partner with other digital leaders to create win-win benefits and offer the best services and local content to our customers	**Mobile data:** monetize data	**Understanding our customers:** reorientation towards total customer satisfaction, enabling Millicom to fulfil its vision and mission	**People:** attract, retain and develop talent, stand for diversity, encourage the Millicom culture
MFS: consolidate our position of leadership, drive customer loyalty, stickiness and reduce churn	**Cable/fiber footprint:** expand our high-speed broadband footprint and leverage the quality of our network for both our consumers and B2B clients	**Operational efficiency:** executing our strategy	**Corporate responsibility:** driving change by delivering results in key projects from waste programs to freedom of expression to child online protection
Customer touchpoints: increase customer engagement via more convenient digital touchpoints	**Convergence:** prepare for convergence between networks, IT systems and channels	**Equity value creation model:** cash flow growth and operational efficiency	**A role model:** positive change in society, compliance with laws and standards
Process automation: introduce smarter more efficient operations which are fit for the future	Capture synergies from convergence		

Chief Executive Officer's review – continued

Monetizing mobile data and building cable

This year we have accelerated progress in monetizing data and building a greater cable network. Mobile data and cable segments now represent almost half of our revenue mix in Latin America.

Mobile data revenue across the Group has grown by more than 24% in the year and we now have 26 million smartphone users and almost 3.4 million 4G subscribers. Data consumption per subscriber has also increased by 26% to 1.4 GB per user per month. We expect this will continue to grow very fast in the future. We continue to innovate in this space using our customer insights, for example to roll out our successful pilot of the All You Can App initiative to help our customers purchase their data packages in an easy and relevant way.

Strong smartphone and 4G penetration are the key building blocks for further mobile data growth. We will continue to expand our 4G networks, facilitate smartphone adoption and bring The Digital Lifestyle™ to more people in our markets. We will also shift our balance from volume to attracting higher value customers.

In cable we have now built more than eight million homes passed in Latin America. Of these, almost 7.2 million are HFC homes with 3.7 million subscribers, driving organic revenue growth of more than 9.7%.

We have also leveraged our cable footprint to benefit our B2B customers, who require a fast, reliable network on which to grow.

Deliver value

We deliver value for both shareholders and stakeholders. In early 2016, we began a two-fold reconfiguration of the business looking at our revenue mix and our cost structure. Through the HEAT program we are already transitioning our business towards a leaner model. As a result, we have significantly enhanced our Operating Cash Flow (OCF).

Act responsibly

Corporate responsibility and compliance have great prominence in our business, reflected in this first integrated financial and corporate responsibility report. This year we became members of the United Nations Global Compact to make a public commitment to its principles on human rights, labor standards, environmental protection and anti-corruption compliance.

We make profits for our shareholders, but we also recognize the inherent social value our core businesses and connectivity creates. The transforming power of the technology we provide was celebrated at the 71st United Nations General Assembly that showcased our mobile birth registration programs in Ghana and Tanzania.

We have identified women customers as a great opportunity for us, and have made industry-leading commitments and created programs to address access barriers and increase the proportion of women in our customer base.

I am delighted to have joined the GSMA Board and to be able to work with the organization to ensure that the right strategic, regulatory and policy frameworks are in place to support the direction of the industry as we all focus on connecting the world.

Driving efficiency

A multi-year transformation program expected to generate more than US$200m in savings has been launched named Project HEAT.

The program is widespread and includes projects ranging from transforming our IT back office systems towards an OTT-like infrastructure, to turning our business into a "Capex light" model with more managed services agreements and network sharing, to implementing shared service centers and to changing our device supply chain to reduce working capital.

The result will be a more efficient and effective operating model and thus a stronger cash flow.

Chief Executive Officer's review – continued

Compliance remains a priority. This year we have welcomed our new Chief Ethics and Compliance Officer and worked to further improve our already robust compliance program. We have a zero-tolerance stance to all forms of bribery and corruption. Our prevention mechanisms include supplier assessments and third party due diligence, as well as with improved training for all employees. These initiatives continue to ensure ethical and responsible behavior and promote respect for our strict codes of conduct among our employees and suppliers.

Enabling new, easier and safer access online helps to bring about The Digital Lifestyle™. As we bring more people online, we also have a responsibility to protect those who are more vulnerable. I am proud of the way we have taken leadership on child online protection in our regions.

Our performance

To summarize our performance in 2016, we delivered strong underlying operational performance. We achieved this in the context of a difficult macro environment, especially in Latin America, and increased top-line pressure due to the accelerated decline of SMS and Voice revenues in the region. With laser-like focus on operating leverage we managed to significantly grow our OCF, and deliver stronger cash flows. Organic service revenue growth for the full year increased by 1.2% to US$5.9bn, adjusted EBITDA grew 4.3% to US$2.2bn and our focus on profitable growth at all levels in the Group improved the adjusted EBITDA margin in 2015 by 1.7% to 35.6%.

We continue to see selected opportunities for M&A within the boundaries of our existing footprint in order to expand our services and strengthen our overall position.

Our people

At the executive leadership level, I am pleased to report that we are now at full strength, enabling consistency and stability for the business. In 2016, we filled several important positions within the Executive Committee, welcoming Daniel Loria as Chief Human Resources Officer, Esteban Iriarte as Chief Operating Officer for Latin America, HL Rogers as Chief Ethics and Compliance Officer, and Rodrigo Diehl as Chief Strategy Officer.

Together we have created a simpler, more effective structure, which is functionally and operationally driven.

It is important to me that during 2017 we continue to develop a high performance, operationally excellent and customer-focused culture across the business and that we ensure best-in-class talent throughout the organization.

In summary, our strategy is in full motion and delivering results: we are monetizing data and building cable, fast. Placing customer experience at the heart of our decision-making will remain a core focus for us, as will continuing to innovate across all our operations. While reconfiguring the revenue mix, we are also undertaking significant transformations that I have no doubt will result in many further tangible successes in 2017.

Mauricio Ramos
Chief Executive Officer

We are monetizing data and building cable, fast."

Executing our strategy

Our strategy is to build and monetize The Digital Lifestyle™. Execution is focused on a number of clearly defined priorities, articulated across markets but tailored to the specific competitive dynamics and customer needs of each individual market.

During 2016, we continued with the twofold reconfiguration of our business.

On the revenue side, we accelerated the migration from mobile legacy voice and SMS to data, as well as continued expanding our cable footprint as an enabler for our fast-growing Home and B2B businesses. On the operational side, we continued the reconfiguration of our cost base, with Digital as a key enabler to capture efficiencies and increase operational leverage to drive cash flow growth. We also increased our focus and efforts to delight our customers with a superior customer experience. Finally, we reaffirmed our commitment to invest in our people and act responsibly and in compliance.

> "We are focused on growing our high-value, digitally active customers."

Mobile

Mobile services remain the largest part of our business, accounting for 64% of our total revenues, and by the end of 2016 we had more than 57 million mobile customers across eleven markets in Latin America and Africa.

In Latin America, the mobile market has continued its rapid transformation from being mainly a voice and SMS market to being data-driven, and as a result the share of our revenues that comes from Latin American legacy voice and SMS has continued to decrease: in 2016 it represented 28% of our total revenues, down from 32% in 2015. Our strategy to monetize the rapidly growing demand for mobile data is built around a number of key drivers:

- **4G networks:** we are expanding our 4G coverage, a technology that enables us to deliver high volumes of data at high speeds to our customers. In 2016, we announced our first 4G services for Honduras, Paraguay and El Salvador. By the end of the year, we tripled the number of 4G subscribers, to reach 3.4 million 4G subscribers.

- **Smartphone adoption:** we are driving the adoption of data-capable smartphone devices that enable customers to use data services on the move. By the end of 2016, our smartphone user base in Latin America reached 20 million subscribers, or 63% of our total Latin American customer base.

- **Data usage:** we are creating compelling data-centric products and services to encourage our consumers to consume more data, while maintaining price discipline. In Africa, where our mobile revenues grew by 11% in 2016, the mobile market remains primarily a voice and SMS market, and therefore our strategy is driven by further high-value customer acquisition and growing the usage of both voice and mobile data. By the end of 2016 we had almost 15 million data users in Latin America and Africa, representing more than a quarter of our total customer base.
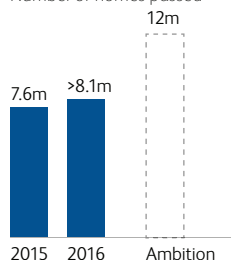
Mobile data revenue %

As percentage of LatAm service revenue

19.8   24.6
2015   2016

◤ Mobile data revenue
◤ LatAm service revenue

Raising our ambition

Number of homes passed

7.6m   >8.1m   12m
2015   2016   Ambition

Revenue reconfiguration %

	2015	2016			
	Q4	Q1	Q2	Q3	Q4
LatAm Voice & SMS	33.37	31.65	29.69	28.55	28.12
Africa and other	21.89	22.58	22.21	22.09	21.76
LatAm mobile data	**18.30**	**19.46**	**20.45**	**21.65**	**21.78**
Cable	**26.44**	**26.31**	**27.64**	**27.71**	**28.33**
Strategic focus	**44.74**	**45.77**	**48.09**	**49.36**	**50.12**

Executing our strategy – continued

Mobile Financial Services

With more than two billion unbanked people world-wide, Mobile Financial Services (MFS) innovations have the power to reduce poverty and boost prosperity in the markets where Millicom operates. 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 such as health. It makes sending and receiving money easier and less expensive, giving users the freedom to use their money how and when they want. It is also a significant driver of customer satisfaction and loyalty as well as churn reduction. Today we provide MFS to more than 11.8 million customers, representing 21% of our customer base.

Home

Demand for PayTV and fixed broadband access continues to grow rapidly across our markets in Latin America, as coverage, usage and affordability increase. Our strategy to address this attractive digital growth opportunity is built around four priorities:

- **Build fast:** we are accelerating the roll-out of our high-speed HFC fixed network and are complementing it through targeted acquisitions that complement our footprint. In 2016 we passed 486.5 thousand households, reaching a total of 8.1 million homes passed by the end of the year – on our way to achieve our ambition of 12 million homes passed by 2021.

- **Fill faster:** we fill the network as fast as possible, converting homes passed into homes connected. Our current penetration is 38.2%.

- **Monetize faster:** we upsell through bundling of services to ensure we maximize the number of revenue-generating units per household. In 2016 we continued to improve our bundling ratio, reaching 1.8 revenue generating units per household.

- **Product innovation:** we drive customer connections onto our network by expanding our range of digital services and aggregating content, including exclusive local content, enabling us to differentiate our offerings from others in the market.

Creating an effortless customer experience."

Mobile Financial Services

With more than two billion people unbanked worldwide, fintech innovations like Mobile Money have the power to reduce poverty and boost prosperity in the markets where Millicom operates.

We provide Mobile Financial Services such as money transfers, savings, loans and merchant payments. It makes sending and receiving money easier and less expensive, giving users the freedom to use their money how and when they want.

Read more here

Tigo Business Forum

Tigo Business Forums took place in seven LatAm countries this year. These events have grown to become among the largest and most important technology and innovation conventions in the region with more than 5,000 attending the series.

At these networking conferences, we offer insight into the latest technology trends directly from renowned international speakers such as Jared Cohen, President of JIGSAW (Google Ideas), Susana Voces, President of eBay Spain, Marc Randolph, co-founder of Netflix and Steve Wozniak, co-founder of Apple.

Read more here

Executing our strategy – continued

B2B

B2B represents a significant growth opportunity, with several of our operations in Latin America and Africa where B2B is under-represented and provides an opportunity to grow to its 'fair share' of total revenues. Our strategy is to grow by leveraging the capillarity of our fixed network, as well as our strong mobile market position. We are also expanding our product portfolio to deliver more value added services and business solutions such as cloud services and ICT managed services. Our data center business is growing at double digits in Colombia. In 2016 we inaugurated two new state-of-the-art Tier III data centers in Paraguay and Bolivia. We have established partnerships that are opening up new possibilities in M2M and IoT, such as smart cities, telematics, smart metering, and smart vending machines among others. Our strong Central American B2B footprint and fiber backbone also means that we can service the needs of businesses with a regional footprint as well as multinationals that operate in the region.

Convergence

In all of our Latin American markets we are one of the two existing mobile players who has the lead and focus to build a modern high-speed broadband network. We continue to converge our organizations, channels, backend and fixed and mobile networks to drive efficiencies and capture synergies. It also enables us to offer innovative convergent services to governments, businesses and consumers, increasing loyalty and reducing churn and customer acquisition costs.

Customer centricity

The needs and desires of our customers are paramount and we will continue to place our customers and their experience at the heart of all our decision-making. To achieve our ambition of delighting our customers throughout their journeys, we are investing to strengthen our customer centric culture, as well as deploying a net promoter scorecard ("NPS"). As some of our markets in Latin America reach more maturity, we are also upgrading and focusing our retention efforts. In 2016 we created a Customer Experience team at Corporate level, to help us accelerate the deployment and sharing of best practices across markets.

Digital

To deliver the promise of a Digital Lifestyle and as key enabler for delighting our customers with a simple and positive experience, we continue to implement our digital transformation with speed and priority, focusing on four dimensions:

- **New digital services:** throughout 2016 we have been building as well as rolling out our digital innovation pipeline, launching innovative services and content for our customers. As an example, we launched "All you can App", which allows our prepaid customers to enjoy unrestricted time-based access to their favorite mobile applications. We have also partnered with digital leaders to establish win-win cooperation models and bring the best content to our customers.

- **Enhanced digital channels:** we are driving adoption and usage of more convenient digital channels. In 2016 we reached 2.2 million active users of Millicom digital channels for sales and care, with very positive results in terms of customer engagement and satisfaction and a direct correlation to churn reduction.

- **Digitized operations:** we have continued to automate customer-facing as well as internal processes to drive efficiencies and become a leaner operation.

- **IT transformation:** we are transforming our backend IT systems and infrastructure to enable The Digital Lifestyle™ now and in the future. We are simplifying and converging our IT, migrating to an OTT-like architecture and low-cost operating model.

Executing our strategy – continued

People and partnerships

As we execute our strategy, we rely on a wide range of resources and expertise from our people, partners and suppliers.

Our people

Our employees are the lynchpin to the successful delivery of our business strategy. By enabling and motivating our people across all our markets, we help to make Millicom flourish.

We have strengthened the capabilities of our human resources function to better support continued development and high performance of our employees. We created a global center of expertise, and a more streamlined, efficient and proactive talent management team with clear roles and responsibilities. Our new set up has further strengthened our offering and helped to focus on talent development, retention and succession planning.

At the same time, we have improved our leadership development program and begun delivering on our diversity and inclusion training, including a focus on unconscious bias, to our top Executive Team. We are now in the process of developing the content and preparing to roll out the training to all our staff since the end of 2016.

Diversity and inclusion are particularly important for us as they lead to new ways of working, different thought models and innovation to set us ahead of our competitors. Encouraging awareness, personal ownership and accountability takes our work culture to the next level.

Just as Millicom has a strategic focus on developing our digital services externally, we are also driving this goal internally. We are digitalising some of our key HR processes, including our performance management system which has now been rolled out online – giving managers and their staff easy digital access to this extremely important process.

Next year, we will build on this by digitizing further HR processes for our workforce.

Our employee profile

Millicom has 17,985 employees, more than 15,900 of whom work in Latin America. 95%[1] of our employees are of local nationality to the country they are employed in. We are proud of our highly ethnically diverse workforce which comprises 82 nationalities. Our employee base is young, with 39% of our employees under 30.

We have continued our work in building the most effective team structures to future-proof our business, which has resulted in some significant changes to our business, as outlined in on the next page, in line with industry trends.

Developing our staff

As our company grows and we develop new products and services, it becomes even more important to understand the skill sets we already have in place and map the new skills we will need to build and monetize The Digital Lifestyle™.

1 As of end of Q3 2016.
2 Calculated excluding training hours delivered in Chad, as we continue improving systematic tracking of training hours provided.

17,985
employees

86%[1]
of our senior managers are recruited locally

95%[1]
of our employees are native to the country they are employed in

Trend of total workforce

	2014	2015	2016
Employees	12,206	14,133	17,985
Outsourced workforce	8,588	27,088	26,235

■ Employees
■ Outsourced workforce
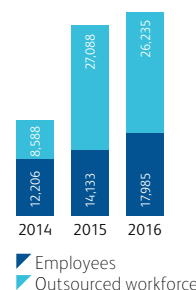
Our people by age and gender

Women: <30 years 21%, 30–50 years 37%, >50 years 4%
Men: <30 years 18%, 30–50 years 19%, >50 years 1%

■ Women
■ Men

Turnover rate of all employees (Group)

2014: 20%
2015: 18%
2016: 25%

Average number of hours of training provided[1,2]

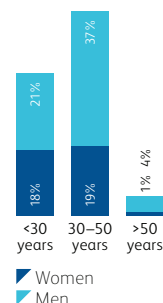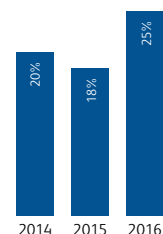|	2014	2015	2016
Women employees	24	27	**16**
Men employees	23	23	**18**
Senior managers	19	19	**34**
Employees excluding senior managers	32	24	**17**

New hires vs. turnover

	Turnover %		Number of leavers		Number of new hires	
	Women	Men	Women	Men	Women	Men
Latin America	19	27	1,229	2,604	2,390	2,965
Africa	31	32	151	386	28	114
Millicom Group	20	28	1,411	3,067	2,455	3,137

Executing our strategy – continued

Significant changes to our business

In Africa, the outsourcing of our network maintenance was finalized in May 2015. In 2016, we adopted a similar model in three of our LatAm markets. This transition into managed services mirrors one that is taking place across our industry. The main driver for us was to focus our resources and efforts on delivering our core services and increase the quality of service by leveraging the expertise of a global supplier.

In these countries, the managed services provider was contractually tied to take over all our staff with equal or better conditions and with a 12-month job guarantee.

Across our Latin American operations and corporate offices in Miami and Luxembourg, we conducted a talent mapping process for around 900 managers and developed personal development and succession plans. In collaboration with INCAE, the leading business school in Latin America, we continued to deliver a one week Digital Leadership and Lifestyle program for 23 senior managers, and a two week Future Leaders program for 62 people which is targeted at our top talent in middle management across the region. As a result, participants from our Bolivia, Costa Rica, Honduras and Paraguay operations are now activating and transferring their knowledge gained during the program into their local businesses.

Our regional leadership training offer is composed of three programs: Leading for Entrepreneurship (61 participants in 2016), Change Management (88 participants), and Tigo Leadership Essentials (211 participants). Our Colombia, Bolivia, Guatemala and Costa Rica operations also implemented further local programs for 805 leaders.

In our African operations we have trained all our country leadership teams on Tigo Leadership Essentials. In our Tanzania operation we have conducted a talent mapping process pilot for around 55 managers. Across all our African operations we have conducted a succession mapping process, with robust plans now place.

Performance management
We have a robust performance management system where our employees can contribute to the business success and feel rewarded for their hard work. All employees have annual objectives, which are reviewed together by employee and manager mid-year and at the end of the year. Employees receive bonuses based on both their individual performance grading and company performance criteria.

Taking care of our people: health and safety
Most of our operations have specific Health and Safety Committees with employee representation. For more information on our work, see pages 76-77.

Listening to our people
We continue to conduct the Great Place to Work© survey in our LatAm operations, with our overall Trust Index© score increasing by almost 10% to 80. The surveys help us to assess our internal climate as well as to benchmark ourselves across our operations and also against other companies in our markets. All of the six Latin American operations surveyed this year scored over 75 in the Great Place to Work© Trust Index©, with Tigo Guatemala leading for the second year running, Tigo Paraguay in second place and Tigo Bolivia in third place on Great Place to Work© "Empresas con mejor clima laboral" ("best working environment").

The survey tells us that our strengths lie in how employees value the special and unique contribution that they can bring, the important role that our organization plays in the community and our commitment to diversity. The survey has also helped identify areas of improvement such as decision making, creating more opportunity for collaboration, reward and recognition.

Each operation has prepared a country and business area plan, linked to their culture change plans, to improve employee satisfaction scores.

Contributing to local employment
We continue to focus on retaining and promoting local talent to senior management roles, with 86% of our senior managers locally employed. We have also proactively engaged with leading universities to attract top local talent in both regions, for example through our partnership with INCAE in Latin America.

We provide an eight-week sales and business training program for our indirect sales force. This year we have continued to evolve the initiative to become the Tigo Experience School. We are providing sales and services training programs in all our Latin American operations. In 2016, we offered comprehensive training journeys for Mobile, Tigo Star, Tigo Money, Dealers, DMS and advanced customer-oriented workshops in the areas of consultative selling and negotiation. In total, some 17,200 participants completed our Tigo Experience School programs across the region.

Additionally, we have incorporated and successfully implemented focused leadership training for commercial leaders and during 2016 delivered programs such as Coaching, Team Building, Team Leader Journeys and in total trained about 728 people in LatAm.

In Africa we trained just under 30,000 freelancers and point of sale distributors. Our freelancers who complete this training often out-perform in terms of new customer acquisition.

Respecting our employees' right to collective bargaining
Collective bargaining agreements (CBA) are in place in our operations in Colombia, Chad and Senegal, accounting for 22% of our total employee base. We have successfully reached an agreement in Senegal in 2016 and the CBA was established. In Colombia, there are twelve unions established which all employees of TigoUne and its subsidiaries are free to join.

We also engage with trade unions in some of our countries, where formal CBAs do not exist, as they do not yet meet the legally required number of members to establish CBAs, such as in Tanzania.

Our Luxembourg office also has a formal Staff Delegation in place, who is appointed through an employee vote.

Executing our strategy – continued

Our External Partners

In an increasingly interconnected and interdependent world we strongly believe in partnering with third parties to establish win-win relationships.

Our long-term, strategic partnerships both at global and operational level have helped us become a leading telecommunications operator in managing material corporate responsibility topics, such as child online protection and privacy and freedom of expression. Through partnerships, for example with UNICEF, Civil Rights Defenders and Global Network Initiative, Millicom continues to acquire a better understanding of human rights issues in our operating markets and how to tackle them. We not only rely on the expertise of our partners, but also share our in-depth knowledge about our industry to jointly develop innovative solutions and tools.

Working with small local vendors as well as large multinationals, Millicom has a diverse range of strategic business partners: for network and IT equipment and operations, digital and traditional content, high-end and entry-level phones, and sales and marketing among others. We are continuously looking for innovative ways of partnering and cooperating

Digital workforce

In 2016, work began on an Employee Portal to help us collaborate, communicate and share relevant information more efficiently across the business. We are walking the talk by making our back office processes and procedures more digital, interactive and mobile-friendly. The portal is under development with colleagues in HQ and El Salvador. In early 2017, we plan to roll out this new business tool to a wider group of colleagues.

Corporate income tax paid by region

	Latin America	Africa	Unallocated items	Total continuing operations*
2016 (US$m)	**(234)**	**(17)**	**(9)**	**(259)**
2015 (US$m)	(230)	(16)	(6)	(252)
2014 (US$m)	(295)	(25)	(60)	(380)

*Total tax paid by the Group in 2016.

Industry leading partnership with UNICEF

Two years into our partnership with UNICEF, our collaboration continues to lead the way on child rights in our sector.

To date, the collaboration has focused on jointly identifying key child rights issues in the digital world and creating tools for telecom companies to manage the impacts their business operations may have on the rights of children. Together with UNICEF,

we have brought together a diverse array of stakeholders to raise awareness of child online protection, developing support materials for our customers to protect their children online and most recently pledging support for further developing child helplines in three of our Central American operations.

Please refer to our corporate responsibility (CR) performance review section for a more detailed list of our KPIs around Millicom's eight most material CR topics **see page 61**

Measuring progress against strategy

Lead digital

	2014	2015	2016
Active users (customers who use digital sales and care channels) (millions)	9	10	**12**
MFS penetration including Zantel (%)	16.9	18.0	**20.5**

Monetize

Mobile	2014	2015	2016
Data users (m)	15	18	**21**
Smartphone penetration (%)	23.9	35.5	**44.6**
4G subscribers ('000)		856	**3,432**
Data usage (GB/sub/month)		0.9	**1.1**
Data revenues as % of mobile revenues	20.0	26.0	**33.0**

Home	2014	2015	2016
Number of homes passed ('000)	7,084	7,632	**8,119**
HFC bundling ratio (RGUs per household)	1.6	1.7	**1.8**
HFC homes connected per homes passed (%)	31.0	30.0	**29.0**

B2B	2014	2015	2016
Revenues as % of total revenues	10.9	14.0	**14.5**

Deliver value

Operational efficiency	2014	2015	2016
Opex % revenue	40.7	40.1	**38.8**
EBITDA % revenue	32.8	32.4	**34.8**
OCF (EBITDA – Capex) % revenue	13.9	13.5	**18.3**

Cash flow	2014	2015	2016
OCF (US$)	887	930	**1,141**
eFCF (US$)	(43)	274	**269**
Return On Capital Invested (ROIC) (%)		15.5	**16.0**

Act responsibly

	2014	2015	2016
Turnover rate for all employees	20%	18%	**25%**
% of employees who have acknowledged the Code of Conduct	70%	52%	**81%**
Total carbon emissions (Scope 1, 2 and 3) tonnes per US$1,000 revenue	0.039	0.043	**0.040**
Number of employee fatalities	1	1	**0**
% spend represented by suppliers assessed by EcoVadis	N/A	53%	**48%**
Total monetary value of volunteering and donations	13,490	12,411	**9,984**