MILLICOM
THE DIGITAL LIFESTYLE

# Transformation and growth as UNE makes a strong start

Millicom's Q3 Results,
22 October 2014

We believe in better. We believe in tigo

# Millicom International Cellular S.A.

## *"Transformation and growth as UNE makes a strong start"*

**Key highlights of Q3 2014**

- Organic revenue growth[(a)] of 8.6%.
- Strong momentum in Colombia;
  - Mobile service revenue growth of 20.5%.
  - UNE makes a strong contribution with $52 million EBITDA (27.8% EBITDA margin).
- 1.46 million mobile net adds, mostly driven by Tanzania, DRC and Colombia.
- DTH encouraging take-up - customer base now close to 45,000.
- 103,000 new homes passed – footprint in cable now exceeds 5.4 million homes passed[(b)].
- Q3 EBITDA[(c)] at $549 million - margin at 32.8%;
  - Excluding UNE, EBITDA of $497 million and 33.4% margin.

### Key financial indicators[d]

| $m | Q3 2014[e] | Q3 2013[f] | % change | 9M 2014 | 9M 2013 | % change |
|---|---|---|---|---|---|---|
| Revenue | 1,674 | 1,383 | 21.0% | 4,527 | 4,089 | 10.8% |
| *Organic revenue growth[(a)]* | *8.6%* | *6.1%* | *2.5ppt* | *8.7%* | *4.6%* | *4.1ppt* |
| Of which UNE | 186 | N/A | | 186 | N/A | |
| EBITDA[(c)] | 549 | 487 | 12.7% | 1,506 | 1,499 | 0.5% |
| Of which UNE | 52 | N/A | | 52 | N/A | |
| EBITDA margin | 32.8% | 35.2% | (2.4ppt) | 33.3% | 36.7% | (3.4ppt) |
| EBITDA margin excl. UNE | 33.4% | 35.2% | (1.8ppt) | 33.5% | 36.7% | (3.2ppt) |
| Capex / sales ratio[(g)] | 19.8% | 21.7% | (1.9ppt) | 16.8% | 15.0% | 1.8ppt |
| Capex / sales excl. UNE | 19.3% | 21.7% | (2.4ppt) | 17.0% | 15.0% | 2.0ppt |
| Equity FCF | 131 | 76 | 72.4% | (57) | (52) | (9.6%) |
| Adjusted EPS ($) [(h)] | 0.79 | 0.72 | 9.7% | 1.41 | 2.57 | (45.1%) |

- **Mobile:** Mobile revenue grew by 7.6% reflecting strong handset sales. Service revenue grew by 4.7% driven by mobile data, which accelerated to +34.7% (+32.4% in Q2), offsetting the decline of voice & SMS (-1.4%).
- **Cable & Digital Media:** the demand for our products remains strong. The ratio RGUs / households keeps increasing (+3.8% to 1.43x ex UNE) and 2Play/3Play customer base continues to grow (+20.0% year-on-year).
- **Mobile Financial Services (MFS):** 564,000 new customers with strong take-up in Tanzania and El Salvador. Revenue grew by 44.6% with the ARPU growing 12.0% sequentially (6.8% decline compared to Q3 2013).
- **Cost & Capex Optimisation:** efficiency and optimization programme started in Guatemala have been extended to 3 other countries (Bolivia, Tanzania, El Salvador). In Africa, our new Managed Services contract will boost the network quality while delivering cost savings.

*a Organic growth represents year-on year-growth in local currency (excludes the impact of exchange rate changes) – it excludes UNE in Q3*
*b Including UNE*
*c EBITDA: derived from deducting cost of sales, sales & marketing costs, general & administrative expenses (including corporate costs) from revenue and adding other operating income*
*d Q3 2014 & 9M 2014 include UNE from 14th August. Q3 2013 and 9M 2013 do not include UNE*
*e Millicom owns 50% minus one share of UNE but consolidates 100% of UNE*
*f Proforma to reflect full consolidation of Guatemala, and equity accounting for Mauritius and Online*
*g Capex excluding spectrum and licence acquisitions*
*h Basic EPS adjusted for non-operating items see page 15 for reconciliation*

## President’s Statement

***Transformation and growth as UNE makes a strong start***

**Stockholm, 22 October 2014**

*“It has been a momentous quarter with the completion of the merger with UNE in August. Our partnership with UNE has made a very solid contribution recording revenue slightly ahead of our own expectation and EBITDA at a 28% margin. It is very early days and the team are focussed on the considerable task of integration but together with the Tigo mobile business, which maintained its momentum in Q3, we see an exciting future opportunity.*

*Across the Tigo business we continued to see the benefits of the work we have undertaken over the last two years, which we highlighted at our Capital Markets Day in Miami at the end of last month. Organic revenue growth at 8.6%, excluding UNE, was a good achievement. Revenue maintained momentum not just in Colombia, but also in Bolivia, Guatemala and across the African businesses which achieved 12% organic service revenue growth in the quarter. It keeps us firmly on track for our $9bn revenue target in 2017.*

*We also had a good quarter in the Cable & Digital Media business. Tigo Star has extended its services with five of seven markets in Latin America now offering satellite payTV - making it available to tens of millions of people in rural areas and complementing our cable services. At the end of September, we had 45,000 customers on this service and our monthly take-up rate is accelerating. This is an impressive adoption rate and is very encouraging for the future development of this product.*

*We are continuing the transformation of the company elsewhere with the promotion and take-up of mobile data services with Smartapps in Latin America and Tigo Music in Africa both launching this month. Data users have risen 13% over the last three months and now comprise 25% of our mobile customer base.*

*Innovation in mobile money has gathered pace with the launch this quarter in Tanzania of the world’s first service offering a direct return on balances as well as the start of Africa’s first interoperable MFS. Overall, MFS has grown organically by 45%.*

*We have intensified action on efficiencies right across the company. We continue the rigorous country-by-country, function-by-function programme which has already identified important savings in one of our key markets.*

*At our recent Capital Markets Day, we affirmed our target of long term EBITDA margin of around 35% but, more importantly, operating cash flow margin of 20%. The success of our business in driving forward profitable revenue growth will be a key factor in achieving these goals and the results so far give me confidence in our capacity to deliver.”*

Hans-Holger Albrecht
President and CEO,
Millicom

## 2014 Guidance

| Target | Guidance (excluding UNE) | YTD |
|---|---|---|
| Revenue | (i) We expect revenue growth[a] to accelerate at a mid to high single digit rate (versus comparable 5.5% in 2013) | 8.7% |
| | (ii) Reported revenue growth at constant exchange rate vs. 2013 over 15% | 19.7% |
| EBITDA | EBITDA margin will stabilize around the mid-30s% mark | 33.5% |
| Capex | In 2014, we expect a capex to revenue ratio of around 19%, excluding spectrum and license acquisitions | 17.0% |

## Shareholder remuneration

We reiterate our dividend policy for no less than $2 per share and at least 30% of normalised net income.

We continue to have the ambition to progressively grow ordinary dividends. However our immediate priority will be on reducing Group leverage towards the middle of our target range of 1.0-2.0x Net Debt/EBITDA.

## Nomination Committee for the 2015 Annual General Meeting

In accordance with the resolution of the 2014 Annual General Meeting, Cristina Stenbeck has convened a Nomination Committee consisting of members representing the largest shareholders in Millicom. The Nomination Committee is comprised of Cristina Stenbeck, Investment AB Kinnevik, Mathias Leijon, Nordea Funds and Tomas Risbecker, AMF and AMF Funds. The members of the Committee will appoint the Committee Chairman at their first meeting.

Shareholders wishing to propose candidates for election to the Board of Directors of Millicom should submit their proposal in writing to the Company Secretary, Millicom International Cellular SA, 2 rue du Fort Bourbon, BP 2312 L-1023 Luxembourg, Luxembourg.

## Conference call details

A presentation and conference call to discuss results of the quarter will take place at 14.00 Stockholm / 14.00 Luxembourg / 13.00 London / 08.00 New York, on Wednesday 22 October, 2014. Dial-in numbers: + 46 (0) 850 51 3793, + 352 2088 0359, + 44 (0) 207 784 1036, + 1 646 254 3365. Access code: 3783379

A live audio stream of the conference call can also be accessed at www.millicom.com. Please dial in / log on 10 minutes prior to the start of the conference call to allow time for registration.

Slides to accompany the conference call are available at www.millicom.com.

[a] *Under 2014 consolidation scope at constant exchange rates*

## Significant events of the quarter

### Corporate news

16th July 2014: Millicom reaches agreement to sell its 50% stake in EMTEL (Mauritius)
3rd Aug 2014: Millicom merger with UNE receives third regulatory approval
14th Aug 2014: Completion of the merger with UNE in Colombia

### Business news

09th July 2014: Millicom launches mobile education EduMe in Africa and Latin America
24th July 2014: 4G launches in Bolivia
13th Aug 2014: Exclusive music in Latin America: Tigo Sessions with multi Grammy award winner Juanes
10th Sept 2014: Millicom launches the world's first mobile money service with automatic returns to users
11th Sept 2014: Millicom and Kalixa create online payments processing partnership for Africa and Latin America
24th Sept 2014: Millicom debuts digital music initiatives for Africa

### Financial news

16th July 2014: Publication of Q2 results
24th Sept 2014: Capital Markets Day in Miami: Millicom confirms ambitious $9bn revenue target

## Subsequent events

There were no subsequent events between 30 September and 22 October.

## Agenda

| | |
|---|---|
| **3rd February 2015:** | FY 2014 results |
| **22nd April 2015:** | Q1 15 results |

## Contacts

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*Millicom is a leading telecom and media company dedicated to emerging markets in Latin America and Africa. Millicom sets the pace when it comes to providing innovative and customer-centric digital lifestyle services to the world's emerging markets, giving access to the world, primarily through mobile devices. The Millicom Group employs more than 16,000 people and provides mobile services to over 53 million customers. Founded in 1990, Millicom International Cellular SA is headquartered in Luxembourg and listed on NASDAQ OMX Stockholm under the symbol MIC. In 2013, Millicom generated revenue of USD 5.16 billion and EBITDA of USD 1.88 billion.*

*This press release may contain certain "forward-looking statements" with respect to Millicom's expectations and plans, strategy, management's objectives, future performance, costs, revenue, earnings and other trend information. It is important to note that Millicom's actual results in the future could differ materially from those anticipated in forward-looking statements depending on various important factors.*

*All forward-looking statements in this press release are based on information available to Millicom on the date hereof. All written or oral forward-looking statements attributable to Millicom International Cellular S.A., and Millicom International Cellular S.A. employees or representatives acting on Millicom's behalf are expressly qualified in their entirety by the factors referred to above. Millicom does not intend to update these forward-looking statements.*

# Contents

# Section 1 - Financial review

## Summary Income Statement

| $m | Q3 14 | | | Q2 14 | Q3 13[a] |
|---|---|---|---|---|---|
| | Group | Excl. UNE | UNE | | |
| **Revenue** | **1,674** | **1,488** | **186** | **1,447** | **1,383** |
| Cost of sales | (449) | (389) | (60) | (357) | (327) |
| **Gross profit** | **1,225** | **1,099** | **126** | **1,090** | **1,055** |
| Operating expenses | (676) | (602) | (74) | (611) | (568) |
| **EBITDA** | **549** | **497** | **52** | **479** | **487** |
| **EBITDA margin** | **32.8%** | **33.4%** | **27.8%** | **33.1%** | **35.2%** |
| Depreciation & amortization | (309) | (263) | (46) | (253) | (230) |
| Other operating income (expenses) | (1) | (3) | 2 | (2) | 6 |
| **Operating profit** | **239** | **231** | **8** | **224** | **263** |
| Net financial expenses | (101) | (97) | (4) | (89) | (68) |
| Other non-operating income (expenses) | 86 | 86 | - | 159 | (109) |
| Gains /(losses) from associates | 22 | 22 | - | 16 | (5) |
| **Profit before tax** | **246** | **242** | **4** | **310** | **80** |
| Net tax credit / (charge) | (30) | (37) | 7 | (67) | (60) |
| **Profit for the period** | **216** | **205** | **11** | **243** | **20** |
| Profit from discontinued operations | - | - | - | _ | (17) |
| Non-controlling interests | (51) | (45) | (6) | (57) | (40) |
| **Net profit for the period** | **165** | **160** | **5** | **186** | **(37)** |

Including UNE, which was consolidated from 14 August 2014, Group revenues were $1.67 billion, with an EBITDA of $549 million and a margin of 32.8%. Net profit for the period was $165 million reflecting a contribution of $5 million from UNE. Adjusted EPS was $0.79 up from $0.27 in Q2 2014 and $0.72 in Q3 2013.

### Millicom excluding UNE

Revenue grew to $1.49 billion in Q3 representing an organic growth of $119 million (+8.6% year-on-year and +2.8% sequentially) partially offset by currency factors which reduced revenue by $20 million (-1.4%). The gross margin at 73.9% was slightly lower compared to the last quarter (75.3%) and 2.4% percentage points below Q3 2013, due to the mix effect of our revenues and to a lesser extent regulatory changes.

Operating expenses increased by 6.0%. This was largely driven by a growth in market related expenses as well as an increase in corporate costs. In addition $4 million of restructuring costs were incurred in the quarter including the managed service contract entered into for the African network.

[a] Proforma Comparatives
*As a result of the following events, the comparative 2013 financial information presented in the results section of this earnings release are presented on a proforma basis: 1/ Full consolidation of Guatemala from January 1, 2014; 2/ A change in accounting standards which required us to equity account for the Mauritian operation from January 1, 2014; 3/ Changes in the Online business investment agreements which required us to deconsolidate Online from Q1 2014.*

Corporate costs, which include both central costs and costs related to the regional business development, shared services and regional management increased from $52 million in Q3 2013 to $64 million largely due to higher levels of activity on new business development and larger shared service and regional functions.

EBITDA of $497 million was 2% higher than Q3 2013 and 4% higher than Q2 2014. The EBITDA margin was a 0.3 percentage points improvement on Q2 representing a margin of 33.4%.

Depreciation and amortization at $263 million was $10 million higher than the last quarter and $33 million higher than the same quarter last year, mainly due to investments in spectrum, networks, and IT systems and the impact of a full consolidation of Guatemala.

Net financial expenses at $97 million were $8 million higher than the last quarter and $29 million higher than the same quarter last year reflecting higher levels of debts associated with the closing of the UNE transaction.

Other non-operating income of $86 million largely represents a net non-cash change in the value of the put options in respect of Honduras and Guatemala ($126 million), a fair value movement in hedges ($19 million) offset by foreign exchange losses ($59 million).

A $22 million gain from associates included sale and dilution of investments and our share of the results of tower companies. The corporate tax rate was lower due to a reversal in deferred tax liabilities.

Non-controlling interests increased naturally following the merger with UNE in Colombia.

## UNE Group

UNE's 47 day contribution to Millicom's group revenue amounted to $186 million with EBITDA of $52 million, an EBITDA margin of 27.8%. With depreciation & amortization charges amounting to $46 million the operating profit was $8 million. The financial charges were relatively limited ($4 million) on low level of indebtedness. The UNE business booked a deferred tax credit of $7 million.

### *Gains from transactions and share of results of associates and joint ventures (excluding UNE)*

| $m | Q3 14 | Q2 14 | Q3 13[a] |
|---|---|---|---|
| Tower companies | 26 | 24 | (5) |
| Online | (5) | (8) | - |
| **Total** | **22** | **16** | **(5)** |

Included in the Tower companies are gains from sale and dilutions of our shareholdings. The total income from our share of results of associates and joint ventures was $22 million, but excluding the transactions, our share of results in Q3 was losses of $6 million.

The closing related to the agreement to sell Mauritius is expected to occur in Q4.

*a Proforma to reflect the full consolidation of Guatemala, and equity accounting for Mauritius and Online*

## Free Cash Flow

| $m | Q3 14 | Q2 14 | Q3 13* | YOY variation (%) |
|---|---|---|---|---|
| **EBITDA** | **549** | **479** | **487** | **+13** |
| Net Capex (including spectrum & license) | (331) | (321) | (229) | +45 |
| Change in working capital and others | 87 | 63 | (18) | NS |
| **Operating Cash Flow** | **305** | **221** | **240** | **+27** |
| Taxes paid | (79) | (115) | (74) | +7 |
| **Operating Free Cash Flow** | **226** | **106** | **166** | **+36** |
| Interest paid, net | (75) | (90) | (43) | +74 |
| **Free Cash Flow** | **151** | **16** | **123** | **+23** |
| Advances and dividends paid to non-controlling interests | (20) | (56) | (47) | (57) |
| **Equity Free Cash Flow** | **131** | **(40)** | **76** | **+72** |

** Proforma to reflect the full consolidation of Guatemala, and equity accounting for Mauritius and Online*

Operating cash flow for Q3 2014 was $305 million, a 27% increase from Q3 2013 reflecting the higher EBITDA (+$62 million) and a positive change in working capital partially offset by a higher capex (+$82 million).

Capex additions during Q3 were $331 million of which $25 million related to UNE. The spending was focused on fixed infrastructure in Latin America (around $50 million) as well as network transmission, coverage and capacity (Guatemala, Bolivia, Colombia and Senegal).

Free Cash Flow at $151 million was 23% higher despite higher interest paid. Equity Free Cash Flow was $131 million, 72% higher than the same period last year, mainly due to higher Free Cash Flow as well as lower dividends paid to non-controlling interests. In addition, we invested $880 million in the UNE closing in Colombia, $17 million for Telesis, a holder of 4G spectrum in Tanzania and we made a cash investment of $27 million in LIH as part of the existing arrangements.

## Net Debt

| $m | Q3 14 Gross Debt | Q3 14 Cash | Q3 14 Net Debt * |
|---|---|---|---|
| Central America | 1,516 | 144 | 1,372 |
| South America | 1,428 | 283 | 1,145 |
| *Of which UNE* | *488* | *92* | *396* |
| Africa | 448 | 190 | 258 |
| **Sub-total** | **3,392** | **617** | **2,775** |
| Corporate | 1,608 | 197 | 1,411 |
| **Total** | **5,000** | **814** | **4,187** |
| *Proportionate basis* | *4,067* | *695* | *3,372* |

** Net debt: Gross debt (including finance leases) less cash, restricted cash and pledged deposits*

Approximately 51% of the Group's gross debt in the operations is denominated in local currency or carries limited exposure to USD foreign exchange fluctuations. Debt at the corporate level amounted to close to $1.6 billion at the end of September 2014. All debt at the corporate level was either in USD or hedged to USD or EUR. At the end of Q3 2014, 70% of gross debt (excluding financial leases) was at fixed interest rates, reducing our exposure to interest rate volatility. 72% of Group gross debt was in bonds and 25% from bank financing. Average maturities stand at 5.6 years. At 30 September 2014, Millicom had $0.8 billion of cash. The Net Debt to EBITDA, based on the last twelve months EBITDA, was around 1.9x as at 30 September 2014.

## Section 2 - Operating review

*All numbers are in US dollars and growth rates are stated in local currency unless stated otherwise. Further details are provided in the Financial & Operational Data excel file on our website (www.millicom.com/investors)*

### Revenue by business unit and by region (excluding UNE)

| $m | Total | | Central America | | South America | | Africa | |
|---|---|---|---|---|---|---|---|---|
| | Q3 14 | *YOY growth (%)* | Q3 14 | *YOY growth (%)* | Q3 14 | *YOY growth (%)* | Q3 14 | *YOY growth (%)* |
| Mobile | 1,193 | +5 | 461 | -1 | 506 | +8 | 226 | +10 |
| Cable | 132 | *+11* | 91 | +8 | 41 | +16 | - | - |
| MFS | 31 | *+45* | 2 | +34 | 8 | +32 | 21 | +51 |
| Other* | 132 | *+50* | 52 | +28 | 72 | +73 | 8 | +28 |
| **Total** | **1,488** | ***+9*** | **606** | **+2** | **628** | **+14** | **255** | **+13** |

** Telephone and equipment ("T&E") sales and other revenues*

We recorded 8.6% organic revenue growth in Q3, a slight deceleration compared to Q2 but 2.5 percentage points higher than the same quarter last year. The increase was led by South America (Colombia +27%, Bolivia +7%), Guatemala (+5%) and double-digit revenue growth in Africa (mainly driven by Chad +19%, Ghana +23% and Tanzania +9%). We generated 72% of Group recurring revenue growth from Mobile, 15% from Cable & Digital Media, and 13% from MFS.

## Mobile

### Mobile service revenue

| $m | Total | *YOY Growth* | Central America | *YOY Growth* | South America | *YOY Growth* | Africa | *YOY Growth* |
|---|---|---|---|---|---|---|---|---|
| Q3 14 | **1,193** | *4.7%* | **461** | *-1.2%* | **506** | *8.4%* | **226** | *9.6%* |
| Q2 14 | **1,177** | *5.9%* | **466** | *-1.7%* | **491** | *11.2%* | **220** | *11.7%* |
| Q3 13 | **1,156** | *6.6%* | **466** | *-1.2%* | **463** | *14.0%* | **226** | *8.1%* |

### Mobile Customer base

| '000 | Total | *Net additions* | Central America | *Net additions* | South America | *Net additions* | Africa | *Net additions* |
|---|---|---|---|---|---|---|---|---|
| Q3 14 | **53,777** | *1,462* | **15,372** | *-45* | **14,555** | *149* | **23,849** | *1,358* |
| Q2 14 | **52,315** | *686* | **15,417** | *-212* | **14,406** | *254* | **22,492** | *644* |
| Q3 13 | **48,392** | *4,469* | **15,584** | *13* | **13,239** | *366* | **19,569** | *1,089* |

### Mobile ARPU[a]

| $ | Total | *YOY variation* | Central America | South America | Africa |
|---|---|---|---|---|---|
| Q3 14 | **7.5** | *-6.0%* | 10.0 | 11.6 | 3.3 |
| Q2 14 | **7.6** | *-4.7%* | 10.0 | 11.3 | 3.3 |
| Q3 13 | **8.0** | *-5.1%* | 10.1 | 11.6 | 3.8 |

[a] *ARPU figures are based on total mobile recurring revenue and exclude MFS*

Mobile service revenue[(a)] increased to $1,193 million in Q3, a 4.7% increase on Q3 2013 reflecting the strong growth in South America and Africa offset by declining revenue in Central America. The mobile customer base increased by over 1.4 million with most of the growth coming from Africa (Tanzania in particular) and Colombia. On mobile data, we added close to 1.5 million new users, with close to 750,000 net adds in South America and over 500,000 in Africa. Data penetration has now reached 25% of our mobile customer base, an increase of 2.2 percentage points compared to the last quarter and 6.6 percentage points year-on-year.

**South America** posted a good quarter (+8.4%) once again driven by Colombia, which grew faster than the market (+20%). Bolivia saw moderate growth (+4.0%) while Paraguay had negative growth (-7.0%) mainly due to price competition. Negative mobile net additions in Bolivia (-139,000) in the third quarter reflected a clean-up of the customer base in August. Commercial momentum in Colombia remained strong with net additions reaching 236,000 compared to 215,000 during the last quarter but with a higher proportion of prepaid additions than in Q2 following regulatory change. After a slower second quarter intake, Paraguay renewed its momentum with more than 50,000 net additions. Data penetration accelerated in the third quarter reaching 36% of the base, an increase of 4.8 percentage points compared to end of June and 9.6 percentage points year-on-year. This higher adoption of data is reflected in the strong growth of handset sales, up 77% in Q3 compared to +17% in Q2, and by a slight improvement of our churn rate (-0.3%).

**Central America** experienced a slight decline in mobile service revenue (-1.2% compared to -1.7% in Q2) essentially due to El Salvador, which declined by 9.2%. Pressure in Honduras remains but eased somewhat during the third quarter (-3.8% vs. -5.0% in Q2) while Guatemala continued to grow modestly (+2.9%). Data penetration increased by 1.7 points compared to Q2 at 24.4%. As in South America, the churn rate slightly improved during the last quarter (-0.6%). Net additions were negative in Q3 due to a combination of competitive pressure and a clean-up of the base in Guatemala.

**Africa** continued to grow at a high rate at +9.6% albeit lower than in Q2 (+11.7%). Senegal continued to experience downward pressure (-4.0%) while the other countries saw good growth. Tanzania, posted encouraging growth helped by a very strong quarter in terms of net additions (+665,000). Rwanda, Chad and Ghana grew respectively by 17%, 19% and 24% with Rwanda and Chad driven by volumes while Ghana growth was driven by ARPU reflecting price increases. The commercial push in DRC triggered a strong customer intake (+662,000) but diluted the ARPU hence revenue growth was limited (+5%). Data penetration grew by 2.7 points over the last 3 months and 7.6 points year-on-year. The higher adoption of data, better network coverage and our efforts to improve network quality contributed to a reduction of churn by 0.8%.

## Cable & Digital Media

### Cable & Digital Media revenue (excluding UNE)

| $m | Group | *YOY growth* | Central America | South America |
|---|---|---|---|---|
| Q3 14 | **132** | *+11%* | 91 | 41 |
| Q2 14 | **129** | *+16%* | 90 | 39 |
| Q3 13 | **118** | *+9%* | 87 | 31 |

### Residential Cable & Digital Media customer base (excluding UNE)

| '000 | RGUs (Residential) | *Net additions* | Central America | *Net additions* | South America | *Net additions* | Total Residential ARPU ($) | ARPU CAM ($) | ARPU SAM ($) |
|---|---|---|---|---|---|---|---|---|---|
| Q3 14 | **1,403** | *60* | 1,053 | *43* | 351 | *17* | 29.3 | 27.4 | 34.0 |
| Q2 14 | **1,344** | *26* | 1,010 | *7* | 334 | *19* | 29.6 | 27.6 | 34.3 |
| Q3 13 | **1,191** | *52* | 958 | *29* | 233 | *23* | 29.4 | 27.8 | 34.6 |

[a] Service revenues excludes non-recurring revenues such as Telephone & Equipment sales

Cable and Digital Media Q3 revenue grew by 11.3% in local currency (15.4% for the Residential activity), mostly driven by the strong demand for Broadband Internet (+21.1%) offsetting the slight decline of Fixed Telephony (-3.8%). Excluding UNE, total revenue generating units ("RGUs") in the residential segment grew by 18% year-on-year to exceed 1.4 million. We have seen strong growth in TV RGU's (+21% vs Q3 2013) and fixed broadband Internet RGU's (+18% y-o-y), but are experiencing a decline of our fixed line Telephony customer base (-3.6%). The move from analog to digital continued in Q3 with digital subscribers growing 40% compared to the same quarter last year, on the HFC network. Since the launch of Tigo Star in Q1, the sub-brand has now been rolled out to six markets, including Guatemala in Q3. As in the previous quarter, ARPU in Q3 remained broadly stable in USD terms (excluding foreign exchange ARPU was up 3%) with some price erosions in fixed telephony compensated by better product mix.

Excluding satellite pay-TV, the number of homes passed increased by 103,000 in the third quarter to exceed 2.4 million. 40,000 new homes passed came from Central America (mainly in Guatemala) and 63,000 from South America coming equally from Paraguay and Bolivia. Since July, our own satellite Pay-TV platform has been available in five countries (Costa Rica, Honduras, El Salvador, Bolivia and Guatemala). With this deployment we extended our reach and now offer high quality Pay-TV services outside urban cable areas. At the end of September, we had 45,000 installed DTH customers. Costa Rica has registered more than 12,000 customers since the launch in June.

### UNE

Since the merger completion (14th August 2014), Millicom and UNE teams are working together to set the baselines of their respective businesses and preparing the company for continued growth and synergies. At the end of September, UNE had 2.97 million homes passed with HFC[a], 63,000 in fibre[b] and 764,000 in xDSL. UNE had 3.51 million RGUs implying a ratio RGUs / households of 1.93x compared to 1.43x in our footprint outside Colombia.

## Mobile Financial Services (MFS)

### MFS revenue

| $m | Total | YOY growth | Central America | YOY growth | South America | YOY growth | Africa | YOY growth |
|---|---|---|---|---|---|---|---|---|
| Q3 14 | **31** | 44.6% | 2 | 34.3% | 8 | 31.8% | 21 | 50.8% |
| Q2 14 | **25** | 41.1% | 1 | 22.3% | 7 | 39.4% | 17 | 43.7% |
| Q3 13 | **22** | 92.0% | 1 | 19.4% | 7 | 49.3% | 15 | 50.8% |

### MFS KPIs

| '000 | RGUs | Central America | South America | Africa | Total ARPU ($) | ARPU CAM ($) | ARPU SAM ($) | ARPU Africa ($) |
|---|---|---|---|---|---|---|---|---|
| Q3 14 | **8,017** | 1,498 | 1,327 | 5,192 | **1.28** | 0.34 | 2.04 | 1.35 |
| Q2 14 | **7,452** | 1,439 | 1,309 | 4,704 | **1.14** | 0.33 | 1.93 | 1.15 |
| Q3 13 | **5,491** | 636 | 1,167 | 3,688 | **1.39** | 0.65 | 1.81 | 1.38 |

MFS revenue increased sequentially 21% in Q3 2014 (+45% year-on-year in local currency) driven by growth in new customers. MFS added 564,000 new active users in Q3, a sequential growth of 8%. 85% of the growth came from Africa, 11% from Central America and 4% from South America. Four countries have driven up the net additions during this quarter: Tanzania, DRC, El Salvador, and Ghana. Offsetting the customer growth trend was the decline of customers in Honduras, Bolivia, and Guatemala. ARPU increased by 12% sequentially to $1.28 which represents an 7% decline year-on-year and reflects an acceleration of customer acquisitions, which generally have lower transaction quantity and lower ARPU.

a Hybrid Fibre Coaxial
b FTTH using GPON

## Online

Online revenue showed strong double digit growth in the third quarter. Cash consumption continues to remain under control and in line with growth and expansion plans. Millicom's share of the Online business results amounted to losses of $5 million in Q3, and $19 million year-to-date, including $2m from when LIH was fully consolidated in January.

We continue to see increased cooperation between the online businesses and our mobile business. MFS is now available as payment method for online marketplace Kaymu, food ordering site Hellofood and real-estate classifieds Lamudi in Tanzania, Rwanda and Ghana. Tigo smartphones continue to be pre-installed with AIH's and LIH's mobile apps in our markets; Hellofood's new app that was launched in the period is already becoming the main order-channel in several of its markets. We are also continuing to perform PR initiatives, joint marketing as well as exchange of best practice and know-how sharing that is helping both Tigo and the online businesses in our markets.

**Revised agreement in Latin America**

From January 2014 Millicom applied equity accounting for the Latin America business and we have moved to a financial partnership model with Rocket Internet in Latin America. In September 2014 Millicom did not exercise the second call option and instead Millicom and Rocket Internet have agreed to continue their strategic LIH partnership in line with the current ownership of 65% for Rocket and 35% for Millicom.

## Corporate Responsibility (CR)

In Q3, Millicom was recognised by the MSCI Global Sustainability Indices as a company with high Environmental Social and Governance (ESG) ratings relative to its sector peers, and was included for the first time in the MSCI World ESG Index and the MSCI ACWI ESG Index (World + EM).

### Millicom Foundation: Digital launch set for October 29

The Millicom Foundation appointed two independent trustees to work alongside Millicom CEO Hans-Holger Albrecht on the Board of Trustees. Their names and background will be announced shortly before they attend the digital launch event for the Millicom Foundation on October 29.

A three year agreement was signed with Ashoka to jointly support digital and mobile solutions for social change in Latin America. In Africa, Tigo Rwanda and Tanzania were the first country operations in 2014 to run the Tigo Digital Changemakers Award, receiving almost 1,000 applications in total from social entrepreneurs. In September, Tigo Bolivia ran the “Get in the Ring” competition, and became the first country operation in Latin America to run a similar award. Other country operations will follow with their competitions in the upcoming weeks.

### Corporate Responsibility: Child online protection in focus

Good progress was made around the five strategic focus areas for CR announced in the second quarter:

- **Diversity:** A global project team was appointed in Q3 to drive diversity initiatives in four thematic areas: 1) raising awareness on the benefits and business case 2) attracting and retaining diverse talent, 3) company policies, and 4) incorporating diversity modules in training and development programs. During Q3, town hall meetings introducing the program were held in all corporate offices, and specific training was held for HR heads of each operation, who will act as local ambassadors for the program locally.
- **Child Protection:** In Q3, Millicom took lead among Latin American operators by committing to implement UNICEF’s and ITU’s Child Online Protection (COP) guidelines published in August in a collaborative effort led by GSMA Latin America. Following the launch of the guidelines, Tigo Paraguay is organizing the very first “Child Online Protection workshop” in collaboration with UNICEF and GSMA in Asuncion in October.
- **Reducing environmental footprint:** Implementation of the responsible electronic waste management program continues. El Salvador, which was the first operation to implement the program, has generated over $270,000 since 2012 through responsible e-waste management. In Q3, Millicom also commissioned an energy efficiency benchmark from the GSMA to support target setting.
- **Privacy and freedom of expression**: Millicom hosted a face to face quarterly meeting of the Telecom Industry Dialogue on Freedom of Expression and Privacy (ID) and Global Network Initiative (GNI) in October in Stockholm. The meeting elected Millicom to chair the work of the ID for the next six months, which are crucial for the future of the group whose current partnership agreement with GNI ends in March 2015. Internally, work is on-going to implement consistent law enforcement assistance policies across operations.
- **Responsible supply-chain:** In Q3, Millicom published an update to its Supplier Code of Conduct. With overall supplier contract template review ongoing, the new Code is to become a mandatory annex to all new agreements with suppliers.

Results of the independent health review undertaken in Q2 were published internally in Q3. Building on these results, global team ran workshops with country HR managers to explore how current occupational health and wellbeing practices can be improved at country operations, in line with internal and OHSAS standards. Although our operations remain as yet unaffected by the Ebola outbreak in Africa, Millicom set up a Global Crisis Committee to support the Local Crisis Committees running in each operation since 1st September. The Committees work in close collaboration with local governments, intelligence and security agencies to develop and test business continuity plans.

# Section 3 – Additional information

### *Reconciliation from Operating Profit to EBITDA*

| $m | Q3 14 | Q2 14 | Q1 14 | Q4 13* | Q3 13* |
|---|---|---|---|---|---|
| **Operating profit** | **239** | **224** | **236** | **222** | **263** |
| Depreciation and amortization | 309 | 253 | 250 | 252 | 230 |
| Loss (gain) on disposal/write down of assets, net | 1 | 4 | (6) | 28 | (4) |
| Loss (gain) from joint ventures | - | (2) | (2) | (2) | (2) |
| **EBITDA** | **549** | **479** | **478** | **498** | **487** |

** Proforma to reflect the full consolidation of Guatemala, and equity accounting for Mauritius and Online*

### *Reconciliation of Basic EPS to Adjusted EPS*

| $m | Q3 14 | Q2 14 | Q1 14 | Q4 13* | Q3 13* |
|---|---|---|---|---|---|
| Net profit attributable to owners of the company | 165 | 186 | 2,244 | 55 | (37) |
| Basic earnings per share ($) | 1.65 | 1.86 | 22.45 | 0.56 | (0.37) |
| **Adjustments for non-operating items**** | | | | | |
| Revaluation of previously held interests | - | - | (2,250) | - | - |
| Other non-operating (income) expenses | (86) | (159) | 41 | 49 | 109 |
| Adjusted net profit attributable to owners of the company | 79 | 27 | 35 | 104 | 72 |
| Adjusted basis earnings per share ($) | 0.79 | 0.27 | 0.35 | 1.04 | 0.72 |

** Proforma to reflect the full consolidation of Guatemala, and equity accounting for Mauritius and Online*

*** Adjusted for non-operating items including changes in carrying value of put and call options, revaluation of previously held interests and similar items classified under 'other non-operating income (expenses)'.*

### *Currency Movements*

| Average foreign exchange rate (vs. USD) | | Q3 14 | Q4 13 | Var % | Q3 13 | Var % |
|---|---|---|---|---|---|---|
| Guatemala | GTQ | 7.77 | 7.90 | -1.7 | 7.90 | -1.6 |
| Honduras | HNL | 21.14 | 20.64 | 2.4 | 20.54 | 2.9 |
| Nicaragua | NIO | 26.11 | 25.09 | 4.1 | 24.78 | 5.3 |
| Costa Rica | CRC | 545.45 | 505.95 | 7.8 | 505.46 | 7.9 |
| Bolivia | BOB | 6.91 | 6.91 | 0.0 | 6.91 | 0.0 |
| Colombia | COP | 1,915.30 | 1,911.02 | 0.2 | 1,915.86 | 0.0 |
| Paraguay | PYG | 4,329.67 | 4,452.67 | -2.8 | 4,450.50 | -2.7 |
| Ghana | GHS | 3.09 | 2.06 | 49.8 | 1.99 | 54.9 |
| Senegal | XAF | 497.72 | 483.08 | 3.0 | 496.29 | 0.3 |
| Chad | XAF | 497.72 | 483.08 | 3.0 | 496.29 | 0.3 |
| Rwanda | RWF | 687.45 | 671.71 | 2.3 | 651.83 | 5.5 |
| Tanzania | TZS | 1,667.88 | 1,606.25 | 3.8 | 1,620.21 | 2.9 |

## *Quarterly analysis by region (unaudited)*

| | Q3 14 | Q2 14 | Q1 14 | Q4 13* | Q3 13* | Increase Q3 13 to Q3 14 |
|---|---|---|---|---|---|---|
| **Revenue ($m)** | | | | | | |
| Central America | 606 | 610 | 601 | 618 | 595 | 2% |
| South America | 814 | 593 | 560 | 589 | 542 | 51% |
| *Of which UNE* | *186* | *N/A* | *N/A* | *N/A* | *N/A* | |
| Africa | 255 | 244 | 244 | 257 | 246 | 4% |
| **Total Revenue** | **1,674** | **1,447** | **1,405** | **1,464** | **1,383** | **21%** |
| *Proportionate revenue* | *1,235* | *1,107* | *1,082* | *1,130* | *1,071* | |
| *% proportionate* | *74%* | *76%* | *77%* | *77%* | *77%* | |
| **EBITDA ($m)** | | | | | | |
| Central America | 282 | 291 | 283 | 273 | 286 | (1%) |
| South America | 277 | 198 | 198 | 222 | 198 | 41% |
| *Of which UNE* | *52* | *N/A* | *N/A* | *N/A* | *N/A* | |
| Africa | 55 | 63 | 56 | 58 | 55 | (0%) |
| Corporate Costs | (64) | (72) | (59) | (55) | (52) | 25% |
| **Total EBITDA** | **549** | **479** | **478** | **498** | **487** | **13%** |
| *Proportionate EBITDA* | *383* | *348* | *353* | *369* | *363* | |
| *% proportionate* | *70%* | *73%* | *74%* | *74%* | *75%* | |

** Proforma to reflect the full consolidation of Guatemala, and equity accounting for Mauritius and Online*

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total mobile customers at end of period ('000s)** | | | | | | |
| Central America | 15,372 | 15,417 | 15,629 | 15,830 | 15,584 | (1%) |
| South America | 14,555 | 14,406 | 14,152 | 13,829 | 13,239 | 10% |
| Africa | 23,850 | 22,492 | 21,848 | 20,420 | 19,569 | 22% |
| **Total** | **53,777** | **52,315** | **51,629** | **50,079** | **48,392** | **11%** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Capex ($m)** | | | | | | |
| Central America | 107 | 125 | 54 | 119 | 104 | 3% |
| South America | 132 | 105 | 71 | 296 | 131 | 1% |
| *Of which UNE* | *25* | *-* | *-* | *-* | *-* | |
| Africa | 80 | 127 | 38 | 154 | 101 | (21%) |
| **Capex in operations** | **319** | **357** | **162** | **569** | **336** | **(5%)** |
| *Eliminations* | *(8)* | *10* | *1* | *12* | *6* | *NS* |
| **Total Capex** | **311** | **367** | **163** | **581** | **342** | **(9%)** |
| *Proportionate Capex* | *246* | *301* | *127* | *459* | *287* | *(14%)* |
| *% proportionate* | *79%* | *82%* | *78%* | *79%* | *84%* | |

## *Summarized Balance Sheet*

| | September 30, 2014 (unaudited) | June 30, 2014 (unaudited) | December 31, 2013 (audited) |
|---|---|---|---|
| Total Fixed Assets | 11,505 | 9,547 | 6,225 |
| Total Current Assets | 2,358 | 2,810 | 2,908 |
| Assets held for sale | 42 | 14 | 14 |
| **Total Assets** | **13,905** | **12,371** | **9,147** |
| | | | |
| Total Current Liabilities | 4,680 | 4,574 | 3,004 |
| Total non-Current Liabilities | 5,058 | 4,635 | 4,060 |
| Liabilities associated with assets held for sale | 2 | 2 | 2 |
| **Total Equity** | **4,165** | **3,160** | **2,081** |
| **Total Equity + Liability** | **13,905** | **12,371** | **9,147** |

## *Summarized Cashflow (unaudited)*

| | Q3 2014 | 9M 2014 | Q3 2013 | 9M 2013 |
|---|---|---|---|---|
| Operating activities | 475 | 1,133 | 283 | 758 |
| Investing activities | (308) | (1,211) | (209) | (792) |
| Financing activities | 22 | (173) | 33 | (113) |
| Exchange gains/losses on cash & cash equivalents | (13) | (18) | 3 | (3) |
| | | | | |
| Change in cash & cash equivalents | 176 | (269) | 110 | (150) |
| Cash & cash equivalents at beginning of period | 496 | 941 | 914 | 1,174 |
| Cash & cash equivalents at end of period | 672 | 672 | 1,024 | 1,024 |

## *Revenues by region (9 months period)*

| | 9M 2014 | 9M 2013 | YOY change |
|---|---|---|---|
| Central America | 1,817 | 1,787 | +1.7% |
| South America | 1,966 | 1,603 | +22.7% |
| *Of Which UNE* | *186* | *N/A* | *N/A* |
| Africa | 743 | 699 | +6.3% |
| **Total revenue** | **4,527** | **4,089** | **+10.8%** |

## *Summary Income Statement*

| $m | 9M 2014 | | | 9M 2013[a] |
|---|---|---|---|---|
| | Group | Excl. UNE | UNE | |
| **Revenue** | **4,527** | **4,341** | **186** | **4,089** |
| Cost of sales | (1,155) | (1,095) | (60) | (963) |
| **Gross profit** | **3,372** | **3,246** | **126** | **3,126** |
| Operating expenses | (1,865) | (1,791) | (74) | (1,627) |
| **EBITDA** | **1,506** | **1,454** | **52** | **1,499** |
| **EBITDA margin** | **33.3%** | **33.5%** | **27.8%** | **36.7%** |
| Depreciation & amortization | (811) | (765) | (46) | (682) |
| Other operating income (expenses) | 5 | 3 | 2 | 4 |
| **Operating profit** | **699** | **691** | **8** | **821** |
| Net financial expenses | (293) | (289) | (4) | (192) |
| Other non-operating income (expenses) | 2,453 | 2,453 | - | (82) |
| Gains /(losses) from associates | 26 | 26 | - | (18) |
| **Profit before tax** | **2,885** | **2,881** | **4** | **529** |
| Net tax credit / (charge) | (168) | (175) | 7 | (202) |
| **Profit for the period** | **2,718** | **2,707** | **11** | **327** |
| Profit from discontinued operations | 21 | 21 | - | (41) |
| Non-controlling interests | (144) | (138) | (6) | (113) |
| **Net profit for the period** | **2,595** | **2,589** | **5** | **174** |

## *Risks and uncertainty factors*

Millicom operates in a dynamic industry characterized by rapid evolution in technology, consumer demand, and business opportunities. Combine with a focus on emerging markets in various geographic locations, the Group has a proactive approach to identifying, understanding, assessing, monitoring and acting on balancing risks and opportunities. For a description of risks and Millicom's approach to risk management, refer to the 2013 Annual Report (http://www.millicom.com/media/427498/Millicom_Annual_Report_2013.pdf).

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[a] Proforma Comparatives
*As a result of the following events, the comparative 2013 financial information presented in the results section of this earnings release are presented on a proforma basis: 1/ Full consolidation of Guatemala from January 1, 2014; 2/ A change in accounting standards which required us to equity account for the Mauritian operation from January 1, 2014; 3/ Changes in the Online business investment agreements which required us to deconsolidate Online from Q1 2014.*