

**MANAGEMENT'S DISCUSSION AND
ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Comunicaciones Celulares, S.A
**As at and for the three-month period
ended 31 March 2016**

Management's discussion and analysis of financial condition and results of operations Comunicaciones Celulares, S.A

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1. Overview

We are the leading provider of mobile communications services in Guatemala, providing communications, data, entertainment and solutions services under the Tigo brand across the most extensive 2G, 3G and LTE networks in the country. With 8.97 million mobile subscribers, we estimate our market share of mobile users in Guatemala at approximately 56.0% as of 31 March 2016. We established ourselves in 1990 as the first mobile operator in Guatemala and have maintained a market-leading position since 2007, following the entry of additional mobile operators in 1999. We are evolving beyond traditional mobile communications and data services to offer a combination of corporate solutions, fixed-line, cable TV, broadband services and MFS to retail and business customers in Guatemala.

We are jointly owned by the Millicom Group, which holds a 55% ownership interest in Comcel and each of the other Note Guarantors, and Miffin, which holds the remaining 45% ownership interest. Millicom offers digital lifestyle products and services primarily through wireless and cable TV/broadband networks in Central America, South America and Africa, mainly under the Tigo brand. We benefit from Millicom's vast emerging markets operating experience, product development and technical expertise and sharing of best practices gained from its operations in 15 emerging market nations. We also benefit from the economies of scale that result from being part of Millicom's global purchasing and supply chain. Miffin is a holding company with interests in several lines of business, including telecommunications, real estate and renewable power. As Millicom's local partner, Miffin has greatly contributed to our success through its deep understanding of Guatemala's economy and demographics (including our customer base) and through its relationships with commercial, industry and government partners.

Currently, we offer our products through three business units:

- Tigo Mobile (voice, SMS, data, other value-added services and Tigo Money / MFS);
- Tigo Business (video surveillance, cloud services and other corporate productivity solutions);
- Tigo Home (cable TV, Satellite TV (DTH), fixed-line broadband and fixed-line telephone services);

Tigo Mobile: As of 31 March 2016, we had approximately 8.97 million mobile customers, which we estimate represented approximately 56.0% of the total mobile customer base in Guatemala, and our network covered 88% of the country's total population. Our networks provide the most extensive coverage and highest reliability in our market, which has reached a mobile penetration rate of approximately 125%. We have developed an extensive distribution network for the sale of our products and services across the country.

In order to maintain our leading market share and enhance our profitability in a market with high penetration, we tailor our mobile service offerings to meet the communications needs of our targeted customer segments and offer a comprehensive range of prepaid and postpaid service plans. We target customer segments by classifying them by, among other factors, projected ARPU, preferred activities, education level, budget, region, age, type of device and gender. As of 31 March 2016, 94.4% of our customers received our services on a prepaid basis and 5.6% of our customers received our services on a postpaid basis. Our prepaid customers generated 78.5% of our mobile revenue for the three months ended 31 March 2016. Our postpaid customers, who have a higher ARPU and tend to use more value-added services that we have introduced to the Guatemalan market, such as MMS, music and video streaming, generated 21.5% of our mobile revenue for the same period. While ARPU among our prepaid customers is lower, these customers receive no handset subsidies from us and can be serviced at a lower cost than our postpaid customers.

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As smartphone penetration and data usage increase in Guatemala we will continue to design and offer bundle packages that promote continued usage of our voice and SMS services while allowing us to capture and monetize growth in mobile broadband. We tailor our offers to meet the divergent data usage patterns and differing demands of the prepaid and postpaid customer segments. For example, in order to provide lower cost options we offer prepaid plans with lower voice minute rates at certain times of the day and plans with volume discounts for certain bundles of voice minutes and SMS. In the postpaid segment we offer flexibility to our customers by allowing them to select a data plans based on their needs. Additionally, we offer our postpaid customers discounts for smartphones at attractive pricing packages.

Through our Tigo Money category, we offer MFS products to our mobile customers including mobile top-ups, bill payments, local and international remittances. We believe that MFS products offer a significant untapped opportunity in Guatemala to generate incremental revenue by becoming an important payments' operator in Guatemala. Tigo Money is currently working with more than 30 partners in bill payments and 5 major partners in International remittances that, combined, have transacted value above \$7.2 mm with 1mm transactions in the platform monthly. These businesses are supported with a broad agent network of 2k retailers that provide Tigo Money with nationwide coverage. Our mobile subscribers who use our MFS services tend to generate higher ARPU and churn less frequently. In Guatemala, MFS penetration is 4.17% as of 31 March 2016 on registered handsets. As part of our growth strategy for this category, we are focusing on increasing the partner base for both billers and remittance companies. Additionally, we are digitalizing the Tigo Money experience by launching the Tigo Money APP, POS devices and other channel alternatives.

Tigo Business: Through this business unit we offer an array of corporate and productivity solutions and services to the operations of multinational corporations, large businesses, SME and home offices in Guatemala. These services include mobile products and services, fixed-line, broadband internet, enterprise VoIP, IP video surveillance, IP-PBX and cloud services. This business unit's differentiating proposition is to provide attractive pricing, end-to-end solutions and after-sales customer service, all these in a market where many businesses have limited experience and resources to maintain a robust IT infrastructure. As of 31 March 2016, Tigo Business had 13.4 thousand customers, which we estimate represents approximately 39% of the total corporate market in terms of value share in Guatemala.

Tigo Home: This business unit currently operates in eight departments of Guatemala, mainly in the capital cities and its high-density surrounding areas. In six of the eight Departments we operate under the brand "Tigo Star", which allows us to offer "triple-play" bundles (combine cable and internet with fixed telephony). In the rest of areas single CATV services are provided under transitional brands through analog network where we are working on upgrading the network to offer our digital services, high speed internet and telephony. Our business model and long term strategy is based mainly on three pillars: i) Through a dedicated in-house team in charge of inorganic growth, we have focused on consolidating our presence, coverage and expanding our customer base through the acquisition of subscriber from existing cable operators within the most dense and economically attractive regions of the country. We expect this process of inorganic growth to continue as Tigo Home grows scale; ii) to rebuild acquired networks as a means of having an effective solution to offer mass-market residential BBI and Digital services and all the planned multiproduct bundles; and iii) offering Tigo Home services in a postpaid and prepaid basis, through direct broadcast satellite (direct-to-home, or DTH) television services in those territories of the country and areas without HFC network coverage. We believe that the addition of these products tailored to additional segments of the consumer market will allow us to expand our Tigo Home customer base significantly.

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Non-Consolidation of Subsidiaries of the Note Guarantors

Our Combined Financial Statements do not consolidate the subsidiaries over which Comcel and the other Note Guarantors exerted control as of, and for, the periods presented. The only such subsidiary is Newcom Ltd. Bermuda, which represented less than 1% of the combined total revenue, less than 1% of the combined Adjusted EBITDA, less than 1% of the combined total assets and less than 1% of the combined total liabilities of Comcel and the other Note Guarantors as of, and for the three month period ended 31 March 2016. We do not intend to consolidate these or any other subsidiaries that may exist from time to time in future combined financial statements of Comcel and the other Note Guarantors, including those prepared for purposes of "Description of the Notes—Covenants of the Note Guarantors—Provision of Financial Information."

Factors Affecting our Results of Operations

Our operating results are primarily affected by the following factors:

The State of the Guatemala Economy

We derive all of our revenue from Guatemala, an emerging market. Inflation rates, rates of GDP growth and remittance levels affect our business, financial condition and results of operations.

Taxes

Our effective tax rate for the three months ended 31 March 2016 and 2015 was 17.06% and 17.00%, respectively.

The Guatemalan tax authorities have sought to apply a 3% stamp tax on the payment of dividends from Comcel to the Millicom Group through coupons attached to share certificates for the 2007 and 2010 tax years. We believe that these dividend payments are specifically exempt from stamp tax and are disputing the tax authority's determination that a stamp tax is due for these dividend payments. We estimate that in case we lose the appeal, the additional tax assessment, plus interest and penalties, could be approximately \$11 million, for which management takes the view that no provision should be made.

Interconnection Rates

Interconnection rates and terms are not subject to specific regulation in Guatemala and are thus set by private contract. Our operations are dependent upon interconnection agreements with other providers, which give our customers access to networks other than our own. Interconnection is required to complete calls that originate on our networks but terminate outside our networks, or that originate outside our networks and terminate on our networks. Interconnection rates have not varied significantly over recent years, with the domestic interconnection rate being unchanged since 1998.

Rates for new Interconnection agreements are freely negotiated between parties, but in case no agreement is reached any of the parties can request the Superintendency of Telecommunications to resolve the differences in rates through a special procedure which requires the selection and appointment of an expert to define the interconnection rates, which under the law must be cost oriented. However, no procedure of this nature has ever reached its final stage in 16 years of application of the law due to the intricacies of the administrative procedures in Guatemala.

Revenue

We generate our revenue mainly from the provision of communication, information, entertainment, and solutions services to our customers primarily through monthly subscription fees, airtime and data usage fees, roaming fees, interconnect fees, connection fees, fees from the provision of broadband internet, fixed line telephony, VoIP, data transmission fees on mobile money transfer and related financial services, cable TV, sale of content and other

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services, tower rental, equipment and phone sales. We generally seek to increase our revenue through the growth of our customer base and through the introduction of new products and value-added services. Our results of operations are therefore dependent on our customer base, the introduction of new products and value-added services, and the number of distribution points that offer our products and services. Due to our high market share, our revenue is also impacted by interconnection rates between communications operators, including interconnection fees charged for a call originating from a competitor's network and terminating on our network.

A substantial amount of our revenue \$63.0 million (19.7% as percentage of revenue), \$64.9 million (20.5% percentage of revenue) and \$67.2 million (22.3% percentage of revenue) for the three months ended 31 March 2016 and the three months ended 31 March 2015 and 2014, respectively, was denominated in US dollars and generated from roaming, interconnect and other fees and from the sale of airtime credits through international distributors.

In common with our industry, our revenue derived from higher-margin voice and SMS services has been declining, as a result of the increasing popularity of data-capable devices and the development of mobile applications, such as Viber, Skype and WhatsApp that generally reduce demand for voice and SMS services. We expect this trend will continue in the future. In response, we have begun to diversify our sources of revenue through the development of a growing number of value-added services in our mobile operations and by our expansion into corporate solutions, fixed-line broadband, fixed-line telephone, cable TV and MFS products to retail and business customers in Guatemala.

Customer Base and Churn

The number of customers we have is dependent upon the number of new customers we obtain and the number of customers that terminate our service, or churn. Our total mobile customer base increased from approximately 8.29 million customers as of 31 March 2015 to approximately 8.97 million customers as of 31 March 2016, an annual growth rate of approximately 8%, as a result of efforts in direct sales force through bring your own device in postpaid strategy (BYOD). During this period we also saw our market share of mobile users in Guatemala increase by approximately 60 basis points. Our monthly average churn rate (handsets and datacards) for the quarters ended 31 March 2015 and 31 March 2016 was approximately 3.9% and 3.2%, respectively. In 2016 we focused on increasing the satisfaction of our clients that lead us to an increase in our market share and therefore the reduction in churn.

Cost of Sales

The primary components of our cost of sales are interconnection costs, telephone handset and equipment costs, roaming costs, costs of leasing lines to connect the switches and main base stations, other transmission costs, frequency fees, taxes, value-added services costs, programming and content costs, depreciation, bad debt provisioning and any impairment of network equipment data services and other direct costs. As we add customers, we continue to seek new ways to control our cost of sales in order to continue to improve our operating margins and to seek new ways to reduce our overall general and administrative cost base. We try to reduce our support costs by identifying synergies with our parent and affiliate companies, such as sharing branding, human resources and global supply arrangements. We have sought to implement various cost-saving and cost-reduction initiatives, including reducing the average handheld subsidy per user and renegotiating the fees we pay for interconnection and value-added services.

Gross Margins

We expect that future gross margin percentages will be primarily affected by pricing, interconnection fees, bad debt, and the mix of revenue generated from the level of telephone and equipment sales, voice, SMS services, value-added services, broadband internet, cable TV and data traffic exclusively within our networks and those between our networks and other networks. Calls made exclusively within our networks have a higher gross margin because we do not incur interconnection charges to access other networks.

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Operating Expenses

Operating expenses are primarily comprised of commissions to dealers for the sale of prepaid reloads, the sale of handsets and other equipment, smartphone subsidies aimed at obtaining and maintaining customers, as well as general advertising and promotion costs, point of sale materials for our retail outlets, sites and network maintenance charges and staff costs.

Critical Accounting Policies

Our Combined Financial Statements have been prepared in accordance with IFRS as adopted by the EU on a historical cost basis and expressed in US dollars. In preparing our Combined Financial Statements, management needs to make assumptions, estimates and judgments, which are often subjective and may be affected by changing circumstances or changes in its analysis. Material changes in these assumptions, estimates and judgments have the potential to materially alter our results of operations. We have identified below those accounting policies that we believe could potentially produce materially different results if we were to change our underlying assumptions, estimates and judgments. For a detailed discussion of these and other accounting policies. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of inherent uncertainties in this evaluation process, actual results may be different from originally estimated amounts. In addition, significant estimates are involved in the determination of impairments, provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant management judgment is required to determine any provision for contingent liabilities. Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within our control. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated.

Impairment of non-financial assets

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

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

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

Inventories

Inventories, which mainly consist of mobile telephone handsets and related accessories, are stated at the lower of cost and net realizable value and tested for impairment (including obsolescence) annually. Cost is determined using the average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory sold at less than cost through subsidized offers is held at cost until sale. Subsidies are accounted for as operating expenses.

Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that we will not be able to collect amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in the combined income statement within "Cost of sales."

Provisions

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where we expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, risks specific to the liability. Where discounting is used, increases in the provision due to the passage of time are recognized as interest expenses.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating intra-group sales.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured.

Recurring revenue from telecom services, which we believe reflects the regular and ongoing revenue of our customers and is therefore an appropriate metric to analyse the results of our operations, consists of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees, revenue from online product and service sales, MFS commissions and fees from other telecommunications services such as data services, short message services and other value-added services and exclude revenue from the sale of telephone handsets and equipment and roaming fees from visitors to our network who are not our customers. Recurring revenue is recognized on an accrual basis (i.e., as the related services are rendered). Unbilled revenue for airtime usage and subscription fees resulting from services provided from the billing cycle date to the end of each month is estimated and recorded.

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Subscription products and services are deferred and amortized over the estimated life of the customer relationship. Related costs are also deferred, to the extent of the revenue deferred, and amortized over the estimated life of the customer relationship. The estimated life of the customer relationship is calculated based on historical disconnection percentage for the same type of customer.

Where customers purchase a specified amount of airtime in advance, revenue is recognized as airtime is used. Unutilized airtime is carried in the statement of financial position as deferred revenue within "other current liabilities."

Revenue from value-added content services such as video messaging, ringtones, games, etc., is recognized net of payments to the providers of these services if the providers are responsible for content and determining the price paid by the customer. For such services we are considered to be acting in substance as an agent. Where we are responsible for the content and determines the price paid by the customer then the revenue is recognized gross amount.

Revenue from the sale of handsets and accessories on a stand-alone basis (without multiple deliverables) is recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Revenue arrangements with multiple deliverables (bundled offers such as equipment and services sold together) are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values or on the residual method. Revenue is then recognized separately for each unit of accounting.

Deferred tax

Deferred income tax is provided using the liability method and calculated from temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss.

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

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

Deferred income tax assets and liabilities are measured at the tax rate expected to apply in the year when the assets are realized or liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the combined income statement. Deferred tax assets and deferred tax liabilities are offset where legally enforceable set off rights exist and the deferred taxes relate to the same taxable entity and the same taxation authority.

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Results of Operations

Three months ended 31 March 2016 and 2015

USD millions	Three months ended 31 March		Percent change
	2016	2015	
Revenue	319,103	316,746	0.7%
Cost of sales	-61,690	-57,170	7.9%
Gross profit	257,413	259,576	-0.8%
Operating Expenses	-96,504	-96,670	-0.2%
Depreciation and amortization	-44,009	-47,351	-7.1%
Other operational income (expenses), net	-42	-161	-73.9%
Operating profit	116,858	115,394	1.3%
Interest expense	-19,151	-14,721	30.1%
Interest and other financial income	381	473	-19.5%
Exchange loss, net	-1,190	1,426	-183.5%
Profit before tax	96,898	102,572	-5.5%
Income tax expense	-17,097	-17,328	-1.3%
Net profit and comprehensive income for the period	79,801	85,244	-6.4%
Operating Data:			
Number of mobile subscribers	8,969,494	8,299,597	8.1%
Postpaid	498,729	414,708	20.3%
Prepaid	8,470,765	7,884,889	7.4%
Monthly churn %	3.23%	3.92%	-17.6%
Postpaid handset	0.70%	1.30%	-45.9%
Postpaid datacard	3.41%	1.89%	81.1%
Total postpaid	0.90%	1.52%	-40.5%
Prepaid handset	3.34%	3.98%	-16.0%
Prepaid datacard	4.94%	6.76%	-26.9%
Total prepaid	3.36%	4.04%	-16.8%

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Total monthly churn (1)	3.23%	3.92%	-17.6%
Monthly ARPU (US\$) (2)	9.4	10.3	-8.2%
Postpaid	38.6	40.9	-5.7%
Prepaid	7.8	8.7	-10.9%
Total monthly ARPU (3)	9.4	10.3	-8.2%
Number of employees	2,631	1,537	71.2%

(1) Our total monthly churn is individually calculated by reference to our aggregate prepaid and postpaid customers.

(2) ARPU is calculated based on a historical exchange rate of 7.64 to US\$1.00.

(3) Our total ARPU is individually calculated by reference to our aggregate prepaid and postpaid customers.

The following table is a reconciliation of our net profit to EBITDA:

USD millions	Period ended 31 March	
	2016	2015
Net profit	79,801	85,244
Net finance costs	18,770	14,248
Income tax	17,097	17,328
Foreign exchange loss / (gain), net	1,190	-1,426
Share-based compensation	349	366
Depreciation and amortization	44,009	47,352
Loss on disposal and impairment of assets	42	161
EBITDA	161,258	163,273

	Period ended 31 March	
	2016	2015
EBITDA (1)	161,258	163,273
EBITDA margin (2)	50.53%	51.55%
Net debt to LTM EBITDA (3)	1.24x	1.05x
Total debt to LTM EBITDA (4)	1.52x	1.21x

(1) We calculate EBITDA by adding net finance costs; income tax; depreciation and amortization; and net other non-operating expense (income) to our total comprehensive income. EBITDA is not a recognized term or recognized measure of performance under IFRS and should not be considered as an alternative to net profits as a measure of operating performance or to net cash provided by operating activities as a measure of liquidity. EBITDA as used herein is the same as "EBITDA" as defined in the Indenture for purpose of the Notes. EBITDA as presented may not be comparable to similarly titled measures of other companies.

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

(3) We calculate Net debt to EBITDA by dividing our total borrowings, less cash and cash equivalents, by our EBITDA.

(4) We calculate Total debt to EBITDA by dividing our total borrowings by our EBITDA.

Revenue

In the process of evolving beyond offering only traditional mobile communications and data services, our revenue mix increasingly reflects the provision of not only communications services, but also information, entertainment and solutions services. We currently offer our products and services through four business units: (i) Tigo Mobile (voice, SMS, data and other value-added services); (ii) Tigo Business (corporate and productivity solution); (iii) Tigo Home (cable TV, satellite TV (DTH) fixed-line broadband and fixed-line telephone services); and (iv) Tigo Money (MFS).

Revenue for the three months ended 31 March 2016 amounted to \$319.1 million, up 0.7% from \$316.7 million for the three months ended 31 March 2015. As a result of the growth in prepaid and postpaid subscriber's and offset by a decrease in prepaid ARPU of -10.9% and postpaid ARPU of -5.7%. Additionally the revenue also increased due to higher income of telephone and equipment as we promoted the penetration of smartphones in the country to sell additional data-driven products and services, which grew 42.0% vs. same period of 2015. Innovation continues to be a major focus for us as we seek to grow revenue by developing and selling additional products and services through which we can gain a greater share of customers' disposable income, increase loyalty. In the three months ended 31 March 2016, value-added services represented 44.4% of recurring revenue and grew by 7.4% to \$127.8 million (out of a total of \$287.6 million in recurring revenue). As of 31 March 2016, our mobile customer base was 8.97 million, a growth of 8% from 8.29 million as of 31 March 2015. As of 31 March 2016, prepaid customers accounted for 94%, or 8.5 million, of our total mobile customers compared to 95%, or 7.9 million, as of 31 March 2015.

Analyzing our revenue by business unit, Tigo Mobile (includes individual and corporate subscribers) revenue decreased -3.2%, to \$283.1 million, for the three months ended in 31 March 2016 compared to the three months ended 31 March 2015, decrease driven mainly by SMS services (decreasing 45.3% from \$24.5 million to \$13.4 million) and incoming international revenue.

Tigo Business (only fixed products) revenue grew 47.3%, to \$20.2 million, for the three months ended 31 March 2016 compared to the three months ended 31 March 2015, mainly driven by a video surveillance project with government, also a successful customer segmentation strategy and a wider portfolio of business solutions, leading to an increase of our customer base. Additionally, Tigo Business continue to experience growth in revenue coming from broadband internet, and cloud services.

Tigo Home revenue grew by 48.5% to \$16.6 million for the three months ended 31 March 2016 compared to the three months ended 31 March 2015. As a result of the increase of digital products penetration in data and cable, the launch of the Direct to Home (satellite TV services) and the continued consolidation of the fragmented Cable TV market in Guatemala through the acquisition of the assets and subscribers of small cable companies.

Cost of sales

Our cost of sales related primarily to interconnection costs, roaming costs, SMS cost, transmission and bandwidth, leased lines to connect the switches and main base stations, cost of handsets, content and programming. Cost of sales increased by 7.9% for the three months ended 31 March 2016, to \$61.7 million from \$57.2 million for three months ended 31 March 2015 as a result of an increase in our bad debt costs of 326.5%.

On April 10 2014, Comunicaciones Celulares, S.A. entered into four, five year contracts, with the Guatemala Government to provide video surveillance to the Civil National Police. The service includes camera lease, connectivity, storage of images, monitoring centers and software with analytics. As at 31 March 2016, these

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contracts generated \$ 7.05 million of accounts receivable (accrued income) (2014 nil). No payment has been received for this service due to government budget restrictions, a provision for impairment of these receivables has been made for an amount of \$ 8.0 million,

Gross profit decrease in absolute values by \$2.2 million (-0.8% YoY) due to our bad debt costs. Our gross profit margin slightly decreased to 80.7% for the three months ended 31 March 2016 from 82.0% for the three months ended 31 March 2015.

Operating expenses

Operating expenses had a decrease of -0.2% for the three months ended 31 March 2016 to \$96.50 million from \$96.67 million for the three months ended 31 March 2015. Operating expenses decrease was mainly attributable to decrease in sites and network maintenance and dealer commissions. As a percentage of revenue, operating expenses practically remained the same, 30.5% for the three months ended 31 March 2015 to 30.2% for the three months ended 31 March 2016.

Depreciation and amortization

Our expenses related to depreciation and amortization charges decreased by -7.1% for the three months ended 31 March 2016, to \$44.00 million from \$47.35 million for three months ended 31 March 2015 due to an extension in the useful life of some fixed assets.

Operating profit

Operating profit increased by 1.3% for the three months ended 31 March 2016 to \$116.85 million from \$115.39 million for the three months ended 31 March 2015. The operating margin increased from 36.4% for the three months ended 31 March 2015 to 36.6% for the three months ended 31 March 2016.

Net finance costs

Net finance costs, which comprise interest expense, net of interest income, increased from the quarter ended 31 March 2015 of \$14.2 million to \$18.7 million for the quarter ended 31 March 2016 due to additional financing in local currency equivalent to \$200 million, which was contracted during the months of May to July of 2015. The interest expense is mainly attributable to bond issuance which is payable since August 2014 in semi-annual instalments.

Foreign exchange gain (loss)

There were net foreign exchange loss for the three months ended 31 March 2016 of \$ -1.19 million compared to net exchange gain of \$ 1.42 million for the three months ended 31 March 2015. Exchange gains and losses primarily result from movements in the GTQ/USD exchange rate resulting in a revaluation of our U.S. dollar borrowings, loans to shareholders, accounts receivable and payable and cash and cash equivalents. The average GTQ /USD exchange rate for the three months ended 31 March 2016 and 31 March 2015 was Q 7.69 and Q 7.63, respectively.

Charge for taxes

The charge for taxes is \$ 17.3 million for the three months ended 31 March 2016, from \$17.1 million for the three months ended 31 March 2015.

Net profit for the period

As a result of the foregoing, net profit for the three months ended 31 March 2016 was \$79.8 million, a -6.4% reduction compared with our net profit of \$85.2 million for the three months ended 31 March 2015, as shown above the main driver of this reduction is related to higher debt leverage.

Management's discussion and analysis of financial condition and results of operations Comunicaciones Celulares, S.A

As at and for the three-month period ended 31 March 2016

Trend Information

Our strategy is using voice revenue and retain market share while growing our revenue in value-added products and services such as mobile and fixed internet access, content downloads, music, video streaming and cable television. Data usage is increasing among consumers as a result of an increasingly digital lifestyle. At the same time, smartphone market penetration is increasing as a result of lower prices and more phone options available to consumers. We expect innovation to be an important driver of growth in the years ahead. To defend margins we will keep on controlling costs and through economies of scale.

Liquidity and Capital Resources

We rely on cash from operations and external financing. After bond issuance, we have taken on long term external financing with major banks in local currency, equivalent to \$200 million with no principal payment until maturity maintaining our capability to generate cash from our operations to fund capital expenditures, working capital and operational requirements. We intend to continue to focus on investments in property, systems and equipment (fixed assets) and working capital management, including timely collection of accounts receivable and efficient management of accounts payable and inventory.

Capital Expenditures, acquisitions

Our capital expenditures on property, plant and equipment, licenses and other intangible assets for the period ended 31 March 2016, 2015 and 2014 amounted to \$44.6 million, \$27.1 million and \$39.0 million respectively.

As of 31 March 2016, we had commitments to purchase, network equipment, land and buildings and other fixed assets for an aggregate consideration equal to \$52.7 million. We expect to meet these commitments from our current cash balances and cash generated from operations.

Financing

On 30 January 2014, Tigo Guatemala Companies issued an \$800 million 6.875% fixed interest rate bond repayable in 10 years to refinance the Combined Group and to repay in 2014 each individual financing facility existing in the previous year.

The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. Interest payments on the bond are scheduled twice a year in the months of February and August. Interest payment on the bond was effective on February 6th, 2016 in the amount of \$27.5 million with the next payment due on August 6th, 2016 and so forth.

During May and July of 2015, Tigo Guatemala Companies signed a local Currency Credit Facility equivalent to \$200 million with two major banks. Disbursement has been received in full in July 2015. The Local Credit Facility was signed for 10 year term with principal payment at maturity.

Management's discussion and analysis of financial condition and results of operations Comunicaciones Celulares, S.A

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The effective combined interest rate is of 7.16% with monthly instalments on interests.

As of 31 March 2016, outstanding indebtedness is \$982.1 million originated from the bonds and Local Currency Credit Facility.

Shareholder Distributions

Our shareholder distribution practice has been to distribute to our shareholders up to the level of free cash, generated after all obligations are met. Historically, dividend payments have offset loans previously made to our shareholders.

After analysing our results of operations, our board of directors makes a recommendation to our shareholders on the amount of dividends, if any, that should be paid. The shareholders then resolve in a shareholders' meeting the amount of dividends, if any, that should be paid to shareholders. At the same time our board of directors decides whether the amount not paid as dividends should be retained as retained results of the Company or directed to a legal reserve account. As of 31 March 2016 we have shareholders' advances of \$631.5 million.

Cash Flows

The table below sets forth our cash flows for the periods indicated:

USD millions	Three months ended March 31,	
	2016	2015
Net cash provided by operating activities	96,019	104,769
Net cash used in investing activities	(54,043)	(41,774)
Net cash used in financing activities	(15,000)	(55,000)
Net increase in cash and cash equivalents	27,578	7,972
Cash and cash equivalents at the end of the period	179,128	99,918

For the three months ended 31 March 2016 cash provided by operating activities was \$96.0 million compared to \$104.8 million of the quarter ended 31 March 2015 due to higher cost of sales +7.9% as a result of increase in our bad debt costs of 326.5%.

Net cash used in investing activities was \$54.0 million for the quarter ended 31 March 2016 compared to \$41.8 million of the quarter ended 31 March 2015. The increase in cash used for investing activities for the quarter period was mainly attributable to higher capital expenditures +\$10 million

Net cash used in financing activities amounted to \$15.0 million for the quarter ended 31 March 2016 compared to \$55.5 million of the quarter ended 31 March 2015 due to lower shareholders loan's advances schedule for Q1.

The net increase in cash and cash equivalents for the quarter ended 31 March 2016 was \$27.6 million compared to \$7.9 million increase in the quarter ended 31 March 2015. We had closing cash and cash equivalents of \$179.1 million as of 31 March 2016 compared to \$99.9 million as of 31 March 2015.

Potential Improper Payment

As described in Note 11 of the Combined Financial Statements, on 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Tigo

Management's discussion and analysis of financial condition and results of operations Comunicaciones Celulares, S.A

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Guatemala Companies. On 4 May 2016 Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds.

Millicom continues to cooperate with law enforcement authorities in the United States. As at 31 March 2016, Management is currently not able to assess the potential impact on these combined financial statements. This matter is being overseen by a Special Committee of the Millicom Board of Directors (as disclosed on the 21 October 2015, Millicom press release), rather than by Comcel.
