Chief Financial Officer's review

"Throughout 2017, we saw a steady improvement in revenue growth across the vast majority of our markets and business lines. We maintained our cost discipline and produced another year of margin expansion and free cash flow growth, and we made great strides to improve our return on capital by disposing of under-performing assets and by opportunistically refinancing some of our debt."

Chief Financial Officer's review – continued

Key financial highlights of the year[1,2]

US$m	2017	2016	% change
Revenue	**6,024**	5,979	0.8
Service revenue	**5,659**	5,591	1.2
Organic growth (%)	**0.2**	0.5	
EBITDA	**2,190**	2,114	3.6
Capex	**993**	988	0.5
Operating cash flow (OCF)	**1,197**	1,126	6.2
Return on Invested Capital (ROIC)[3]	**16.2**	13.1	NM
Net debt	**4,071**	4,181	(2.6)

1 Guatemala and Honduras businesses fully consolidated. See Additional information on page 157 to 160 for reconciliation with IFRS numbers.
2 Alternative performance measures 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 157 to 160 for definitions and reconciliations to the closest respective equivalent IFRS measures.
3 Group ROIC after corporate costs.

Revenue
Revenue was $6,024 million, a gain of 0.8% on a reported basis but a decrease of 0.4% in local currency terms. Service revenue in the full year was $5,659 million, 0.2% higher than in 2016 on an organic basis. Handset and equipment sales declined 6.0% on a reported basis, mainly a result of our strategy to focus on providing reliable and high-quality service, and to rely more heavily on third parties for the sale of handsets, where growth potential and return on investment are less attractive for us.

Gross margin
Gross profit was $4,445 million, 0.7% higher year-over-year, and the gross margin of 73.8% was stable compared to 2016, reflecting the benefit of a lower proportion of handset sales in the revenue mix, offset by modest service margin erosion in Africa.

Earnings before interest and tax
Operating expenses totaled $2,255 million, a reduction of $47 million, or 2.0%, compared to $2,301 million in 2016. For the year, we reduced general and administrative costs by $77 million and corporate costs by $18 million, and we increased spending in selling and marketing by $41 million to support revenue growth initiatives in some of our Latam markets. Smaller items explain the remaining $6 million difference versus 2016. EBITDA totaled $2,190 million, an increase of 3.6% year-over-year in reported terms and of 2.2% organically.

Operating profit
Depreciation increased 1.3% year-over-year to $993 million, and amortization of intangibles decreased 5.8% to $317 million, mostly due to the impact of the decommissioning of our fixed wireless network in Colombia at the end of 2016, which caused us to accelerate and complete the amortization of related spectrum assets during 2016. Other operating income of $39 million in 2017 compares to a loss of $38 million in 2016, primarily due to gains on the sale of towers and other assets in 2017, whereas the loss in 2016 largely reflects a $23 million impairment of assets related to a large government contract in Guatemala. Operating profit reached $919 million, an increase of 21.1% or $160 million year-over-year, compared to the $759 million reported in 2016.

Profit (loss) before tax
Net financial expenses were $471 million in 2017, an increase of $15 million year-over-year primarily due to a $17 million increase in finance lease expenses related to the leaseback of a portion of our tower portfolios in Paraguay and Colombia. Interest on our debt decreased by $20 million as a result of refinancing activity, which allowed us to extend maturities and lower the cost of our debt funding. However, these savings were largely offset by early redemption charges, which increased $18 million year-over-year in 2017 due to our debt refinancing activity, which was concentrated mostly in the second half of the year.

Other non-operating income of $6 million in 2017 compares to income of $2 million in 2016 and mostly reflects gains from foreign exchange, as the currencies where we operate appreciated slightly on average for the year. Losses from associates of $85 million in 2017 increased from $49 million in 2016 mainly due to an impairment of our investment in Latin America Internet Holding (LIH). Profit before tax increased 43.7% year-over-year to $368 million compared to a profit of $256 million in 2016, as higher operating profit was partially offset by an increase in the other non-operating items described above.

Tax
Tax expense was $252 million in 2017, almost unchanged compared to $251 million in 2016.

Net profit
Profit for continuing operations totaled $116 million in 2017, up $110 million year-over-year from $6 million in 2016. The share of profits attributable to non-controlling interests also increased to $102 million in 2017, from $38 million in 2016, mostly due to the impact of restructuring charges incurred in Colombia in 2016. Discontinued operations, which include Senegal, Ghana and the Democratic Republic of Congo (DRC), generated profits of $71 million in 2017 compared to a profit of $1 million in 2016. The improved performance in 2017 largely reflects a gain stemming from the merger involving our Ghana operations in 2017 and to the result on the sale of our business in DRC in 2016. The net profit for

Reconciliation from operating profit to EBITDA

US$m	2017	2016
Operating profit	**919**	759
Depreciation and amortization	**1,310**	1,317
Other operating income (expenses), net	**(39)**	38
EBITDA	**2,190**	2,114
EBITDA as a % of revenue	**36.4**	35.4

Performance

US$m	2017	2016	% change
Revenue	**6,024**	5,979	0.8
Cost of sales	**(1,580)**	(1,564)	1.0
Gross profit	**4,445**	4,415	0.7
Operating expenses	**(2,255)**	(2,301)	(2.0)
EBITDA	**2,190**	2,114	3.6
Depreciation and amortization	**(1,310)**	(1,317)	(0.5)
Other operating income (expenses), net	**39**	(38)	NM
Operating profit	**919**	759	21.1
Net financial expenses	**(471)**	(456)	3.4
Other non-operating income (expenses), net	**6**	2	NM
Gains (losses) from associates, net	**(85)**	(49)	74.0
Profit (loss) before tax	**368**	256	43.7
Net tax credit (charge)	**(252)**	(251)	0.7
Profit (loss) for the period from continuing operations	**116**	6	NM
Non-controlling interests	**(102)**	(38)	NM
Profit (loss) from discontinued operations	**71**	1	NM
Net profit (loss) for the period	**85**	(32)	NM
Adjusted net profit (loss) for the period	**108**	91	18.8
Adjusted earnings per share	**1.08**	0.91	18.3

Scope changes

During 2017, Millicom announced an agreement to dispose of its business in Senegal, and the results from this operation are reported as discontinued operations in our financial statements.

Also in 2017, we agreed with Bharti Airtel to combine our operations in Ghana to form a joint venture in which we retain a 50% ownership stake. The results from these operations are now accounted for as a joint venture.

Finally, we reached an agreement to sell our operations in Rwanda, but as regulatory approval had not yet been obtained as of December 31, 2017, we did not classify our Rwanda operations as discontinued.

2017 was $85 million, or $0.85 per share, compared to a net loss of $32 million, or $0.32 per share in 2016. When adjusting for non-operating items, adjusted net profit reached $108 million, or $1.08 per share, in 2017, an 18.3% increase as compared to $91 million, or $0.91 per share, in 2016.

Return on invested capital
The Group's return on invested capital (ROIC) was 16.2% in 2017, compared to 13.1% in 2016. The ROIC improvement was underpinned by operating efficiencies mainly in Latam, as well as the benefit of the tower transactions in Colombia and Paraguay, and the disposal of operations in Senegal and Ghana.

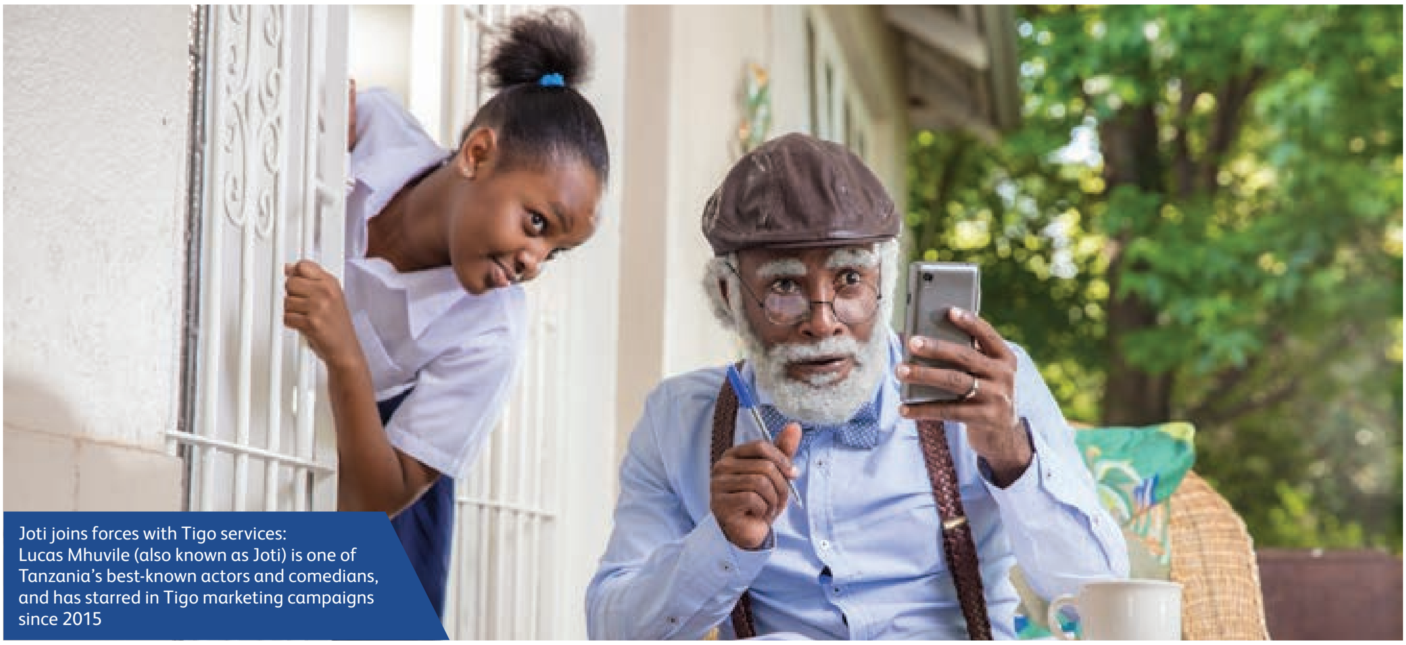
Latam
Total revenue in Latin America grew 1.7% in reported terms and 0.2% on an organic basis to $5,441 million in 2017. Service revenue increased 0.9% organically year-over-year, to $5,078 million. In our B2C Mobile unit, data revenue expanded 19.6% organically, but this was not quite enough to offset the continued erosion of our voice and SMS revenue, such that B2C Mobile revenue declined 2.4% organically for the year. Our Home business continued to perform well in 2017, with service revenue growth of 7.6% year-over-year similar to the 7.4% achieved in 2016. Our B2B unit grew 4.0% organically, with our fixed business expanding 6.8%, while Mobile was negative at -1.3%, both on an organic basis.

EBITDA in Latam increased 4.2% on a reported basis and by 2.8% organically, and the EBITDA margin increased 98 basis points year-over-year to 39.5% in 2017. The improved profitability is the result of both increased revenue and reductions to our operating expenses.

Capex for the region reached $907 million in 2017, up 5% from $867 million in 2016, due mostly to higher levels of spending on customer premise equipment (CPE) to support the growth of our Home business. Investments in our networks accounted for 88% of Latam capex, while the remaining 12% went towards IT and Other. Network investment was split approximately 63% fixed and 37% mobile. Spending on CPE increased 39% year-over-year and accounted for more than 25% of our total capex in the region. Within Mobile, the bulk of our capital investment remains focused on adding coverage and capacity to our 4G networks.

Operating cash flow (OCF) in Latam grew 4.0% year-over-year to $1,244 million, representing an OCF margin of 22.9%, an improvement of 50 basis points compared to 22.4% in 2016.

Chief Financial Officer’s review – continued



Joti joins forces with Tigo services:
Lucas Mhuvile (also known as Joti) is one of Tanzania’s best-known actors and comedians, and has starred in Tigo marketing campaigns since 2015

Africa

2017 was a challenging year for our African operations, due to a combination of higher taxes, new regulatory obligations, intense competition and a weaker macro backdrop in some of our key markets.

Our B2C Mobile customer base declined by 1.0% or almost 175,000, mostly due to our strict adherence to new SIM card registration regulation, which caused higher levels of churn and slowed our ability to sign up new customers. On the other hand, the number of customers who use our mobile financial services increased 13.7% year-over-year to reach almost eight million at the end of 2017.

Revenue declined 7.1% on a reported basis and 5.6% organically, with the difference reflecting slightly weaker currencies in our markets.

EBITDA of $173 million in 2017 was 12.1% lower than $200 million in 2016, and the EBITDA margin contracted 212 basis points to 29.8% in 2017 from 31.9% in 2016.

Capex for the year reached $81 million in 2017, down $36 million compared to $118 million in 2016, as we continue to focus on improving capacity utilization after years of significantly investing in our mobile networks. As a result, OCF improved to $93 million in 2017, an improvement of $11 million from $82 million in 2016.

Free cash flow

US$m	2017	2016
EBITDA (excluding discontinued operations)	**2,190**	2,114
EBITDA from discontinued operations	**58**	62
EBITDA (including discontinued Operations)	**2,248**	2,176
Net cash capex (excluding spectrum and licenses)	**(955)**	(1,053)
Change in working capital and other non-cash items	**(69)**	2
Operating cash flow	**1,224**	1,125
Taxes paid	**(255)**	(276)
Operating free cash flow	**969**	850
Interest paid, net	**(449)**	(429)
Free cash flow	**520**	421
Advances for dividends to non-controlling interests	**(164)**	(165)
Equity free cash flow	**356**	256

Equity free cash flow

Equity free cash flow for the full year 2017 was $356 million, $100 million above the level generated in 2016 and more than covering the proposed Millicom Group dividend payment of $265 million. The increase stems largely from lower levels of cash capex in 2017, as higher EBITDA generation was offset by higher working capital, while lower cash taxes were offset by higher interest paid.

Excluded from cash capex and from equity free cash flow are cash payments related to spectrum and licenses, which totaled $53 million in 2017, a reduction compared to $39 million paid in 2016. Spectrum costs in 2017 include a $16 million deposit related to the recent 4G spectrum auction in Paraguay.

Assets, liabilities and equity

US$m	2017	2016	Change
Intangible assets, net	**4,313**	4,618	(305)
Tangible assets, net	**3,971**	4,205	(234)
Investments in joint ventures and associates	**337**	331	6
Cash and cash equivalents and restricted cash	**1,095**	1,103	(8)
Other (non-)current assets	**1,841**	1,627	214
Total assets	**11,556**	11,884	(328)
Equity attributable to owners	**2,905**	2,976	(71)
Non-controlling interests	**964**	1,095	(131)
Debt and financing	**5,168**	5,290	(122)
Other (non-)current liabilities	**2,519**	2,523	(4)
Total equity and liabilities	**11,556**	11,884	(328)

Intangible assets
Intangible assets decreased by $305 million during the year due primarily to the amortization of assets including the purchase price adjustment in Guatemala and, to a lesser extent, from the deconsolidation of our Senegal and Ghana operations.

Tangible assets
Tangible assets declined by $234 million, as the impact from the deconsolidation of our Senegal and Ghana operations, and of regular depreciation charges, were partially offset by net additions to our network equipment.

Investment in joint ventures and associates
Investment in joint ventures and associates increased slightly to $337 million, as the inclusion of our 50% stake in our Ghana joint venture was largely offset by our share in the loss of Helios Towers Africa (HTA) and an impairment loss in LIH.

Equity and non-controlling interests
Equity attributable to the owners of the company declined by $71 million mainly because declared dividends of $265 million exceeded our reported net income of $85 million in 2017. Foreign exchange translation explains the rest. Non-controlling interests declined by $131 million mainly due to the effects of dividends declared by our Guatemala and Honduras operations in 2017, partly offset by profits and currency gains.

Debt and key financing activities
Gross debt as of December 31, 2017, including finance leases, decreased to $5,168 million from $5,290 million at the end of 2016, driven by the final redemption of the 2021 Notes on October 15, 2017.

Approximately 69% of group gross debt at December 31, 2017 was held in Latam, with approximately 7% held in Africa and the remaining 24% held at the corporate level.

Finance leases of $365 million represented 7% of group gross debt, and these liabilities increased by almost $73 million in the year as we sold and leased-back towers in Paraguay and Colombia, and we renegotiated our contract with HTA in Tanzania.

As of December 31, 2017, 67% of group gross debt was at fixed rates, and 40% was in local currency, in line with our targets and in order to mitigate our exposure to currency volatility. The average maturity of our debt stood at 5.5 years, and our average cost of debt excluding finance leases was 6.2%.

Group net debt, including Guatemala and Honduras on a fully consolidated basis, was $4,071 million at the end of 2017, down from $4,181 million as of end of 2016. The decline in net debt reflects cash flow generation, as well as the net benefit from the tower transactions. Net debt-to-EBITDA, based on the last twelve-month EBITDA, was 1.86x at December 31, 2017, compared to 1.93x as of year-end 2016.