

Chief Executive Officer's statement



Thanks to the continuing commitment to our strategy, Millicom is well positioned to capitalize on the significant growth opportunity before us.”

I am pleased to report that 2017 was a year of impressive progress against our strategy – we accelerated the pace at which we deploy our high-speed data networks, and we connected a record number of new customers.

Our financial results improved throughout the year, and our company starts 2018 with strong momentum and with confidence that our strategy is working.

In the past 12 months, we expanded our hybrid fiber-coaxial (HFC) network to pass an additional 1.3 million homes. This is our fastest-ever build rate and well ahead of our target. We also connected a record number of more than 250,000 homes, confirming our view that there is significant pent-up demand in our markets for affordable and reliable high-speed data and pay-TV services.

On the mobile front, we continue to focus our investment dollars and our commercial activity on 4G, which enables a superior customer experience and fosters increased data consumption. We added 3.7 million new 4G customers in 2017, more than doubling our 4G subscriber base during the year.

Our strategy is to provide the best data network – both fixed and mobile – in our markets.

Opportunity

We currently serve around 33 million mobile users in our Latin American (Latam) markets, but only seven million of these consume our 4G data services using a smartphone. This implies a very low 4G penetration rate of only 22%, and we are therefore taking advantage of the growing proliferation of low-cost smartphones to drive increased adoption of 4G going forward.

The same is true for cable, where our networks currently pass around 9.1 million homes out of a total of some 27 million households in our Latam footprint. Given rapid household formation and expansion of the middle-class in most of our markets, we see an opportunity to expand our network to reach at least 15 million homes over the next few years. This implies a planned 66% increase in our footprint – and yet this target still only represents slightly more than half of the total number of homes.

Finally, we see significant growth potential in B2B. In our markets, the number of small and medium-sized businesses (SMBs) has doubled in the past seven years; and under our Tigo Business brand we already serve more than 240,000 customers from the one million plus SMBs registered today. With our growing infrastructure, dedicated staff, and a unique set of assets, we have scope to grow faster than the market and gain B2B share in the majority of our Latam markets.

Convergence

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

Sustainable benefits

As a leading operator in our markets, we have a unique ability to bring about positive change. While part of this is facilitating digital connectivity for everybody – and boosting the economies in the communities we serve – it is also about doing so in a responsible manner to ensure the benefits are sustainable.

That is why governance is so important and why we regard compliance in particular as an integral part of our business.

By fostering a culture of ethics and compliance from the top, across all our lines of business, we help everyone make the right decisions, and our business becomes more agile, responsive and competitive.

The more we can do to promote compliance – to our business partners, our suppliers, government agencies, employees, and everyone we work with – the more we create a multiplier effect that makes our markets prosperous places to invest, live and work.

It is equally important that we monitor and manage the risks we face in each region to ensure Millicom, our customers, and everyone we work with is protected. The Risk Management section of this report provides visibility of those risks.

Performance

Revenue of USD\$6.02 billion for the year

increased 0.8% year-over-year, while service revenue increased 1.2% to reach USD\$5.66 billion; and EBITDA expanded 3.6% to USD\$2.19 billion. Our results improved throughout the year, capped by the fourth quarter, the strongest of the year by most measures. Meanwhile, our laser-focused strategy is making us more efficient when making capital investments, allowing us to maintain our overall capex almost flat year-over-year in 2017 even as we expanded our HFC network in Latam by 65%. This improved efficiency drove a 39% increase in equity Free Cash Flow, which reached USD\$356 million in 2017, compared to USD\$256 million in 2016.

People

Our people underpin the strategy that is driving our success. It is important that we continue to develop a diverse, high-performance, operationally excellent, and customer-centric culture and that our talent remains best-in-class throughout the organization. We already have a competitive advantage by recruiting and retaining the best talent in the countries where we operate.

I can't be more proud of the fact that our Tigo operations in Latin America made it to the top 20 companies across industries in the Great Place to Work ranking; the only telecommunications company to do so. And I'd like to take this opportunity to thank our Executive team and every single one of our 18,802 employees who have helped deliver our success.

Mauricio Ramos

Chief Executive Officer

 [Read more about our Executive management team in the Governance section of our Annual Report on pages 76-79](#)

Our strategy...

We have developed a simple and focused customer-centric strategy that will enable us to grow and prosper in an increasingly data-centric world. Our goal remains to become a high-performing, high-growth, fixed-mobile convergent operator focused on sustainable value creation.

Monetizing mobile data

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

- 4G/LTE network expansion: Our 4G networks enable us to deliver high volumes of data at faster speeds in a more cost-efficient manner than with 3G networks.
- Smartphone adoption: More data-capable smartphone devices, particularly 4G/LTE, with a strong device portfolio and post-paid strategy to enable our customers to use data services on the move.
- Stimulating data usage: More compelling data-centric products and services to encourage our consumers to consume more data, while maintaining price discipline and sustaining our mobile data margins. For example, we have introduced digital innovations with access to specific applications charged according to time-usage rather than data consumption.

Building cable

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

- Accelerating our hybrid fiber-coaxial (HFC) network expansion: We are hastening the roll-out of our high-speed HFC fixed network while complementing our organic build-out with small, targeted acquisitions. In 2016, we expanded our HFC network to pass an additional 777,000 homes. In 2017 we've nearly doubled this, adding 1.3 million.
- Increasing our commercial efforts to fill the HFC network: As we expand the network, we also deploy commercial resources necessary to begin monetizing our investment. Specifically, the HFC network allows us to sell additional services to existing customers that drive ARPU growth over time.

- Product innovation: We drive customer adoption by expanding our range of digital services and aggregating third-party content, as well as some exclusive local and international content, enabling us to differentiate ourselves from our competitors. For example, we have agreements with local soccer teams, leagues and sports channels in Bolivia, El Salvador, Colombia, Guatemala and Paraguay to air matches exclusively on our pay-TV channels. We are committed to bringing the best content to our customers, and for that we partner with various players in the ecosystem, from studios to Over-the-Top providers (OTTs) and sports industry players.

Expanding B2B

The expansion of our HFC network as well as the development of state-of-the-art datacenters, analytics and Cloud services is also creating new opportunities for us to target B2B customers by offering a more complete suite of Information and Communications Technology (ICT) services.

Our strategy is to selectively evolve our portfolio into ICT-managed services to avoid excessive fragmentation and operational risk, while building the Tigo Business brand and differentiating ourselves through our service model and frontline execution. We believe that the small and medium-size business (SMB) segment represents a particularly attractive opportunity for growth, as SMBs digitize their business and operations using digital communications, and implement Cloud and datacenter solutions in line with what we see in more developed markets.

Digital innovation and customer-centricity

We are focusing our digital innovation on products and customer-facing developments that drive user adoption of high-speed data services such as: data monetization and video consumption, including Tigo Play; and this year's launch of Tigo ONEtv with TiVo. Through Tigo ONEtv, our next-generation user experience platform, we bring a cutting-edge pay-TV entertainment experience for our customers, with advanced personalization and recommendations, seamless integration of content across linear, on-demand, and robust multiscreen capabilities. We also provide a superior digital user experience through our

Tigo Shop App for prepaid, Mi Tigo App for post-paid, and MFS.

Our focus remains firmly set on driving the adoption and enjoyment of these digital channels by our customers.

Total channel active users (m)

2017	5.1
2016	3.8

Year-over-year growth 35%

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

We have also adopted and deployed a net promoter score (NPS) program, designed to strengthen our customer-centric culture.