

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

Comunicaciones Celulares, S.A
**As at and for the twelve-month period
ended 31 December 2018**

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

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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 4G networks in the country. With 10.94 million mobile subscribers, we estimate our market share of mobile users in Guatemala at approximately 59% as at 31 December 2018. 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 mobile and hybrid fiber cable (HFC) networks in Latin America and Africa, mainly under the Tigo brand. We benefit from Millicom's emerging markets operating experience, product development and technical expertise and sharing of best practices gained from its operations in 12 countries. 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 local partners.

Currently, we offer our products through two business units:

- Tigo B2C:
 - Mobile: voice, SMS, data, other value-added services and Tigo Money / MFS
 - Tigo Home: cable TV, Satellite TV (DTH), fixed-line broadband, fixed-line telephone services and advertising;
- Tigo B2B Fix: video surveillance, cloud services, connectivity and other corporate productivity solutions;

B2C:

Tigo Mobile: As at 31 December 2018, we had approximately 10.94 million mobile customers, which we estimate represented approximately 59% of the total mobile customer base in Guatemala, and our network covered 99% 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 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 at 31 December 2018, 94% of our customers received our services on a prepaid basis and 6% of our customers received our services on a postpaid basis. Our prepaid customers generated 80% of our mobile revenue for the twelve months ended 31 December 2018. Our postpaid customers, who have a higher ARPU and tend to use more value-added services, such as MMS, music and video streaming, generated 20% of our mobile revenue for the same period. While ARPU among our prepaid customers is lower, these customers are generally 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 refine our offer through simplification and targeted communication that promote recharges designed for data consumption. There has been a steady increase in recharge frequency and amount, as a result of fine tuning our offer in the prepaid customer segment. In the postpaid segment, we offer a variety of data plans for new customers and incentives that increase upgrades in renewing customers. Additionally, we offer our postpaid customers discounts for smartphones at attractive pricing packages. During Q32018 we launch a new postpaid offer "Siempre Conectados" which has impacted positively our monthly net new subscribers (average for Q4 5,000).

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 provide an opportunity to generate incremental revenue by becoming an important payment platform in Guatemala. Tigo Money is currently working with more than 30 partners in bill payments and 7 major partners in International remittances that generate a total of 1.4 million transactions per month and a transaction value of more than \$21.2 million. These businesses are supported by a broad network of 1.5k retailers that provide Tigo Money with nation-wide coverage. Mobile subscribers who use our MFS services exhibit higher ARPU and lower churn compared to our customers who don't use MFS. As at December 31 2018, MFS penetration reached 6.5% of handsets registered on our network. As part of our growth strategy for this category, we are focusing on increasing the partner base for both billing and remittance companies. In recent years, we have digitalized the Tigo Money experience by introducing the Tigo Money App that can be accessed via mobile devices as well as desktop computers. During 2018 we were able to enter an agreement with 5B in order to offer our subscriber the option of withdraw Tigo Money from using the ATM machines (converting Tigo Money into cash).

Tigo Home: We currently operate in eleven departments of Guatemala through HFC technology, mainly in the capital cities and its high-density surrounding areas. In all departments, we go to market using the "Tigo" brand, which allows us to offer "triple-play" bundles (combining digital and HD cable TV, broadband internet (BBI) and fixed telephony). In areas where we have recently acquired smaller cable networks, we provide services under transitional brands while we work on upgrading the network to the level required to enable the commercial deployment of our bundles under the "Tigo" brand. Our business model and long-term strategy is based mainly on three pillars:

- i) Consolidate our presence and expand our footprint with acquisitions using a dedicated team and targeting cable companies operating in the most densely-populated and economically-attractive regions of the country;
- ii) Upgrade our networks, mainly recently-acquired cable networks, to enable the deployment of our bundled triple-play services, and

Extend the reach of our Tigo Home services using direct broadcast satellite (direct-to-home, or DTH technology) to provide Pay television services, both postpaid and prepaid, to areas of the country that we do not currently reach with our HFC network.

Consistent with our strategy, in Sept 2018 we acquired Grupo Protel S.A (Antares Project), a Cable TV operator, with coverage in Guatemala City, El Progreso, El Júcaro, Morazan and el Rancho, east region of the country.

Tigo B2B Fix: 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 fixed-line, broadband internet, enterprise VoIP, IP video surveillance, IP-PBX, cyber security 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 at 31 December 2018, Tigo

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Business had 19.1 thousand customers, which we estimate represents approximately 39% of the total corporate market in terms of value share in Guatemala.

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 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 twelve-month period ended 31 December 2018. 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 twelve months ended 31 December 2018 and 2017 was 16.93% and 18.97%, respectively.

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, the first procedure of this nature between Telefonica and Telgua is reaching its final stage after 13 years. The Constitutional Court has not yet defined its final position.

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, interconnection fees, installation 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, advertising, sale of content and other services, tower rental, cyber security services and equipment and

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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 the size of 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 proportion of our revenue is denominated in US dollars, stemming from roaming, interconnection and other fees, and from the sale of airtime credits through international distributors. Dollar-denominated revenue totalled \$208.6 million (or 15.2% of revenue) for the twelve months ended 31 December 2018, down from \$221.8 million (16.8% of revenue) for the twelve months ended 31 December 2017, and from \$232.2 million (22.0% of revenue) for the twelve months ended 31 December 2016.

Consistent with broader industry trends, revenue derived from 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 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, cyber security, cable TV, advertising 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 10.38 million customers as at 31 December 2017 to approximately 10.94 million customers as at 31 December 2018, an annual growth rate of approximately 5.3%, as a result of efforts in LTE prepaid phones sales. During this period, we also saw our market share of mobile users in Guatemala increase by approximately 28 basis points. Our monthly average churn rate (handsets and datacards) for the twelve months ended 31 December 2017 and 31 December 2018 was approximately 2.58% and 2.64%, respectively. In 2018 we are focusing on increasing the satisfaction of our clients that lead us to an increase in our market share.

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 and bandwidth costs, value-added services costs, programming and content costs, bad debt provisioning 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 (competitors pressuring price down for data, voice and SMS), 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.

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Calls made exclusively within our networks have a higher gross margin because we do not incur interconnection charges to access other networks.

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.

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.

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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.

The assessment of the recoverable value of these assets incorporates significant judgement in respect of factors such as future income, operating and capital costs and economic assumptions such as discount rates and inflation rates.

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 is recognised at an amount that reflects the consideration to which the Combined Group expects to be entitled in exchange for transferring goods or services to a customer.

Post-paid connection fees are derived from the payment of a non-refundable/one-time fee charged to customer to connect to the network (e.g. connection / installation fee). Usually, it does not represent a distinct good or service, therefore does not give rise to a separate performance obligation and revenue is recognised over the minimum contract duration. Unless the fee is paid by a customer to get the right to receive goods or services without having to pay this fee again over his tenure with the Combined Group (e.g. the customer can readily extend his contract without having to pay the same fee again), it shall be accounted for as a material right and revenue should be recognized over the customer retention period.

Post-paid mobile/cable subscription fees are recognised over the relevant enforceable/subscribed service period (recurring monthly access fees that do not vary based on usage). The service provision is usually considered as a series of distinct services that have the same pattern of transfer to the customer. Remaining unrecognised subscription fees are fully recognised once the customer has been disconnected.

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Prepaid scratch/SIM cards are services where customers purchase a specified amount of airtime or other credit in advance. Revenue is recognized as the credit is used. Unused credit is carried in the statement of financial position as contract liability within other current liabilities. Upon expiration of the validity period, the portion of the contract liability relating to the expiring credit is recognized as revenue, since there is no longer an obligation to provide those services.

Telephone and equipment sales are recognised as revenue once the customer obtains control of the good. That criteria is fulfilled if the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.

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Revenue from provision of Mobile Financial Services (MFS) is recognized once the primary service has been provided to the customer.

Customer premise equipment (CPE) are provided to customers as a prerequisite to receive the subscribed Home services and shall be returned at the end of the contract duration. Since CPEs provided over the contract term do not provide benefit to the customer on their own, they do not give rise to separate performance obligations and therefore are accounted for as part of the service provided to the customers.

Bundled offers are considered arrangements with multiple deliverables or elements, which can lead to the identification of separate performance obligations. Revenue is recognised in accordance to the transfer of goods or services to customers in an amount that reflects the relative standalone selling price of the performance obligation (e.g. sale of telecom services, revenue over time + sale of handset, revenue at a point in time).

Principal-Agent, some arrangements involve two or more unrelated parties that contribute to providing a specified good or service to a customer. In these instances, the Combined Group determines whether it has promised to provide the specified good or service itself (as a principal) or to arrange for those specified goods or services to be provided by another party (as an agent). In cases the Combined Group determines that it acts as a principal, revenue is recognized in the gross amount, whereas in cases the Combined Group acts as an agent revenue is recognized in the net amount (i.e. provision payment).

Revenue from the sale of cables, fiber, wavelength or capacity contracts, when part of the ordinary activities of the operation, is recognized as recurring revenue. Revenue is recognized when the cable, fiber, wavelength or capacity has been delivered to the customer, based on the amount expected to be received from the customer.

Revenue from operating lease of tower space is recognized over the period of the underlying lease contracts. Finance leases revenue is apportioned between lease of tower space and interest income.

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.

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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.

Results of Operations

USD thousands	Twelve months ended 31 December		Percent change
	2018	2017	
Revenue	1,368,767	1,321,376	3.6%
Cost of sales	-294,831	-242,854	21.4%
Gross profit	1,073,936	1,078,522	-0.4%
Operating Expenses	-384,410	-417,538	-7.9%
Depreciation and amortization	-197,073	-205,995	-4.3%
Other operational income (expenses), net	-8,762	-17,624	-50.3%
Operating profit	483,691	437,365	10.6%
Interest expense	-72,691	-72,922	-0.3%
Interest and other financial income	17,562	13,294	32.1%
Exchange loss, net	-22,920	12,542	-282.7%
Profit before tax	405,642	390,279	3.9%
Income tax expense	-68,695	-74,055	-7.2%
Net profit and comprehensive income	336,947	316,224	6.6%
Operating Data:			
Number of mobile subscribers	10,940,912	10,386,226	5.3%
Postpaid	652,174	611,324	6.7%
Prepaid	10,288,738	9,774,902	5.3%
Monthly churn %	2.64%	2.58%	2.4%
Postpaid handset	1.47%	1.57%	-6.6%
Postpaid datacard	2.89%	2.01%	43.8%
Total postpaid	1.64%	1.62%	0.7%
Prepaid handset	2.69%	2.62%	2.5%
Prepaid datacard	4.81%	4.04%	19.1%
Total prepaid	2.70%	2.64%	2.5%
Total monthly churn (1)	2.64%	2.58%	2.4%
Monthly ARPU (US\$) (2)	8.6	9.1	-5.7%
Postpaid	37.7	39.1	-3.6%
Prepaid	6.2	6.7	-7.2%
Total monthly ARPU (3)	8.6	9.1	-5.7%
Number of employees	3012	2647	13.8%

(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 7.72 to US\$1.00 for 2018 and 7.34 to US\$ 1.00 for 2017.

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

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

USD thousands	Period ended 31 December	
	2018	2017
Net profit	336,947	316,224
Net finance costs	55,129	59,628
Income tax	68,695	74,055
Foreign exchange loss / (gain), net	22,920	(12,542)
Share-based compensation	1,309	1,547
Depreciation and amortization	197,073	205,995
Loss on disposal and impairment of assets	8,762	17,624
EBITDA (1)	690,835	662,531

USD thousands	Period ended 31 December	
	2018	2017
EBITDA	690,835	662,531
EBITDA margin (2)	50.47%	50.14%
Net debt to LTM (3) EBITDA (4)	1.03X	1.06x
Total debt to LTM EBITDA (5)	1.34X	1.50x

(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.

(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) LTM stands for Last Twelve months

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

(5) 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 two business units: (i) B2C: Tigo Mobile (voice, SMS, data, Mobile Financial Services and other value-added services), Tigo Home (cable TV, satellite TV (DTH) fixed-line broadband and fixed-line telephone services).; (ii) Tigo Business Fix (corporate and productivity solution).

Revenue for the twelve months ended 31 December 2018 amounted to \$1,368.8 million, increasing 3.6% from \$1,321.4million for the twelve months ended 31 December 2017.

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Analysing our revenue by business unit:

B2C Tigo Mobile (includes individual and corporate subscribers) revenue increased 1.4%, to \$1,186.2 million, for the twelve months ended in 31 December 2018 compared to the twelve months ended 31 December 2017, increase driven mainly by Data services (increasing 14% from \$445.9 million to \$509.7 million). Innovation and smartphone penetration continues to be a major focus for us as we seek to grow revenue by developing and selling additional digital products (focus on data consumption) and services through which we can gain a greater share of customers, disposable income, increase loyalty. In the twelve months ended 31 December 2018, value-added services represented 55.1% of recurring revenue and grew by 5.6% to 558.2 million (out of a total of \$1,012.4 million in recurring revenue). As at 31 December 2018, our mobile customer base was 10.94 million, a growth of 5.3% from 10.38 million as at 31 December 2017. As at 31 December 2018, prepaid customers accounted for 94%, or 10.3 million, of our total mobile customers compared to 94%, or 9.8 million, as at 31 December 2017.

B2C Tigo Home revenue grew by 25.8% to \$121.3 million for the twelve months ended 31 December 2018 compared to the twelve months ended 31 December 2017. As a result of the increase of digital products penetration in data and cable, the Direct to Home (satellite TV services), advertising and the continued consolidation of the fragmented Cable TV market in Guatemala through the acquisition of the assets and subscribers of small cable companies.

Tigo Business (fixed products only) revenue increased 7.4%, to \$65.5 million, for the twelve months ended 31 December 2018 compared to the twelve months ended 31 December 2017, mainly driven by 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.

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 21.4% for the twelve months ended 31 December 2018, to \$294.8 million from \$242.8 million for twelve months ended 31 December 2017. The increase in cost of sales mainly driven by the implementation of IFRS 15; Until 2017 Millicom recognized revenues under IAS18 and under this rules revenue from postpaid contracts (handset + monthly plan) were recognized as follows: full monthly service revenue in no revenue for handset (handset is treated as a cost of acquiring new customer and therefore subsidy was registered). Under new rules of IFRS15 we identify the different components of a postpaid transaction (handset + monthly plan) and we should allocate the total transaction price of the transaction (handset price + total monthly fee) for each component based in their relative stand-alone selling price or their estimates and after that; we recognize the revenues when the performance obligation are satisfied. The handset is delivered at the beginning of the contract therefore the revenue and cost related to this component should be recognized at this point of time resulting in a reduced subsidy expense and incremental cost of sales.

As a result of recognising higher cost (under new rules of IFRS 15), our gross profit decreases in absolute values by \$4.6 million (0.4% YoY). Our gross profit margin decreased to 78.5% for the twelve months ended 31 December 2018 from 81.6% for the twelve months ended 31 December 2017.

Operating expenses

Operating expenses had decreased by 7.9% for the twelve months ended 31 December 2018 to \$384.4 million from \$417.5 million for the twelve months ended 31 December 2017. Operating expenses decrease

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was mainly attributable to the decrease in subsidy costs due to the IFRS 15 implementation mentioned above and operational cost efficiencies identified. As a percentage of revenue, operating expenses decreased from 31.6% for the twelve months ended 31 December 2017 to 28.1% for the twelve months ended 31 December 2018.

Depreciation and amortization

Our expenses related to depreciation and amortization charges decreased by 4.3% for the twelve months ended 31 December 2018, to \$197.1 million from \$205.9 million for twelve months ended 31 December 2017.

Operating profit

Operating profit increased by 10.6% for the twelve months ended 31 December 2018 to \$483.7 million from \$437.4 million for the twelve months ended 31 December 2017. This was mainly driven by the increase in revenue (\$47.4 million) and the decrease in operating expenses (\$33.1 million). The operating margin increase from 33.1% for the twelve months ended 31 December 2017 to 35.3% for the twelve months ended 31 December 2018.

Net finance costs

Net finance costs, which comprise interest expense and net of interest income, decreased from \$59.6 million for the twelve month ended 31 December 2017 to \$55.1 million for the twelve month ended 31 December 2018 due to increased return on the short term investment and shareholders loans. Interest expense is comprised by local currency equivalent to \$140 million, which was contracted during the months of May to July of 2015 and mainly attributable to bond issuance of \$800 million which is payable since August 2014 in semi-annual instalments.

Foreign exchange gain (loss)

There was net foreign exchange loss for the twelve months ended 31 December 2018 of \$22.9 million compared to net exchange gain of \$12.5 million for the twelve months ended 31 December 2017. Exchange gains and losses primarily are due to 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 twelve months ended 31 December 2018 and 31 December 2017 was Q 7.72 and Q 7.34, respectively.

Charge for taxes

The charge for taxes is \$68.7 million for the twelve months ended 31 December 2018, compared to \$74.1 million for the twelve months ended 31 December 2017. The charge for taxes decreased 7.2% YoY. The company pays 93% of its taxes based on net income.

Net profit for the period

As a result of the foregoing, net profit for the twelve months ended 31 December 2018 was \$336.9 million, a 6.6% increase compared with our net profit of \$316.2 million for the twelve months ended 31 December 2017, as shown above the main drivers are: the increase in revenue (\$47.4 million), the decrease in operating expenses (\$33.1 million) and the interest gain in investments (\$17.5 million).

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 because of an increasingly digital lifestyle.

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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

Liquidity and Capital Resources mainly comprises of cash from our operation as well as cash from external financing. Our main strategy is to continue investments in property, enhancing our systems and equipment (fixed assets), **and** focusing on working capital management, including timely collection of accounts receivable and efficient management of accounts payable and inventory levels.

Capital Expenditures, Acquisitions

Our capital expenditures on property, plant and equipment, licenses and other intangible assets for the period ended 31 December 2018, 2017 and 2016 amounted to \$195.9 million, \$172.6 million and \$170.4 million respectively. Increase mainly driven by the acquisition of Cable DX (Omega Project) and Wifense (Chicabal Project) and Grupo Protel S.A (Antares Project).

As of 31 December 2018, the Combined Group had fixed commitments to purchase network equipment, land and buildings and other fixed assets for \$31.1 million (31 December 2017: \$ 26.5 million), from a number of suppliers.

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 years.

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. Last interest payment of the bond was effective on August 6, 2018 in the amount of \$27.5 million with the next payment due on February 6, 2019 and so forth.

During May and July 2015, Tigo Guatemala Companies signed a Local Currency Credit Facility equivalent to \$200 million with two major local banks. The Local Credit Facility was signed for 10-year maturity with principal payment at due date with an option of early repayment after 5 years without any penalties.

During November and December 2018, the Combined Group redeemed GTQ 467 million (\$60 million), of the principal amount of the debt with Banco G&T Continental without penalty fees with a remainder principal of \$140 million.

The effective combined interest rate of the loans remains in 7.16% with monthly instalments.

As at 31 December 2018, outstanding indebtedness at fair value is \$926.8 million originated from the bond and the local currency credit.

Dividends

The ability of the Combined Group to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds. In 2018, the entities of the Combined Group declared dividends in the amount of US\$322 million related to 2017 retained profits which were offset through shareholders' loans and through dividends paid for the remaining amount.

As at 31 December 2018, we have \$572.3 million of outstanding shareholders loans including interest.

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Cash Flows

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

USD thousands	Twelve months ended 31 December	
	2018	2017
Net cash provided by operating activities	546,465	514,129
Net cash used in investing activities	(499,776)	(460,353)
Net cash used in financing activities	(124,516)	(38,180)
Net increase in cash and cash equivalents	(81,533)	12,092
Cash and cash equivalents at the end of the period	214,084	295,617

The twelve months ended 31 December 2018 net cash provided by operating activities was \$546.5 million compared to \$514.1 million of the year ended 31 December 2017. Increase mainly due operating profit increase, to the reduced net interest expense as well as inventory and trade receivables management efficiency.

Net cash used in investing activities was of \$499.7 million for the twelve-month ended 31 December 2018 compared to \$460.4 million for the twelve-month ended 31 December 2017. New acquisitions completed of cable businesses in the amount of \$32.3 million (Cable DX – Omega Project, Widefense – Chicabal Project, Orion and Antares Project) in addition to \$50.0 million in loans granted to third parties

Net cash used in financing activities for the twelve-month ended 31 December 2018 was of \$124.5 million +\$86.3 million mainly attributable to credit prepayment and dividend distribution resulting in a final cash and cash equivalents balance of \$214.1

Potential Improper Payment

In October 2015, Millicom voluntarily reported to the U.S. Department of Justice potential improper payments made on behalf of the Tigo Guatemala Companies and, since then, has cooperated fully with the Justice Department's investigation. On April 23, 2018, the US Justice Department informed Millicom that it is closing its investigation.

Investigation

On Friday July 14, 2017, the International Commission Against Impunity in Guatemala (CICIG), held a press conference to inform that an ongoing investigation over alleged illegal campaign financing was being carried out, which included a competitor of Comcel. The CICIG further indicated, that in view of the declaration made by Comcel's competitor, which contained allegations over administrative procedures initiated by Comcel against such competitor several years ago, the investigation would include Comcel.

On November 23, 2017, the International Commission Against Impunity in Guatemala –CICIG-, together with the Public Prosecutor of Guatemala, executed a search warrant at Tigo's headquarters, located on KM 9.5 road to El Salvador Plaza Tigo, in connection with the investigations mentioned in the preceding paragraph. The authorities requested documents related to the disbursements made by the Tigo Guatemala Companies during the periods beginning in 2012 through 2017. Tigo Guatemala has complied with the requirement and, as of the date of issuance of these financial statements, no further request or notifications have been received

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from the aforementioned authorities. These procedures are in an early stage of the investigation and the authorities could require further information from management. The case has been declared under reserve by the authorities so management can only be aware of any updates until new requirement or communications, if any, are made by the authorities. Management has not been able to assess the potential impact on these interim condensed combined financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of September 30, 2018.

Tax Claims

On 15 February 2017, tax authorities notified Navega.com, S.A. of an adjustment amounting to approximately \$18.5 million to the income tax for the fiscal years 2013 through 2015 (including principal, penalties and interests). According to the Guatemalan income tax law, goodwill amortization is deductible for income tax purposes. However, tax authorities considered that the goodwill originated in acquisitions made by Navega.com S.A. and its predecessor Asertel, S.A. do not meet the definition of goodwill for tax purposes and proceeded to annul the amortization deducted by Navega.com, S.A.

On April 12 2018, the Constitutional Court notified Navega of an appeal filed by the Tax Office for review against the ruling filed by the Supreme Court of Justice in regards with the 3% stamp tax on the payment of dividends from Navega to the shareholders for 2010 tax year. Navega has responded to this appeal and it is waiting for a final resolution from the Constitutional Court. In the event that Navega loses this case, management estimates that the additional tax assessment plus interest and penalties, could be of approximately \$2 million.

The Company, along with its tax advisors, has concluded that it is not probable that an outflow of resources embodying economic benefits will be required to settle them, especially considering that the Company has enough arguments to support its position. Consequently, no provision was deemed necessary in this respect.

Subsequent Events

There is no subsequent event since 31 December 2018 and up to the date of those financial statements.
