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

Comunicaciones Celulares, S.A.

As at and for the nine-month period ended 30 September 2019

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 10.65 million mobile subscribers, we estimate our market share of mobile users in Guatemala at approximately 59% as at 30 September 2019. 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 residential, 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 10 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, Tigo Sports Channel and App, Satellite TV (DTH), fixed-line broadband, fixed-line telephone services and advertising;
- Tigo B2B Fixed: video surveillance, cloud services, cybersecurity, connectivity and other corporate productivity solutions;

During January 2019, America Movil (Claro) acquired Telefonica's Movistar operation in Guatemala, consolidating the market with two mobile operators. Claro and Telefonica have an estimated market share of 41%, focused mainly in urban areas, and their current value proposition is centered around a lower price.

B2C:

Tigo Mobile: As at 30 September 2019, we had approximately 10.65 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 30 September 2019, 93% of our customers received our services on a prepaid basis and 7% of our customers received our services on a postpaid basis. Our prepaid customers generated 73% of our mobile revenue for the nine months ended 30 September 2019. Our postpaid customers, who have a higher ARPU and tend to use more value-added services, such as MMS, music and video streaming, generated 27% 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.

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.

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 and important payment platform in Guatemala. Tigo Money is currently working with more than 27 partners in bill payments and 7 major partners in International remittances that generate a total of 0.5 million transactions per month and a transaction value of more than $14 million. These businesses are supported by a broad network of 1,300 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 June 30 2019, MFS penetration reached 4.2% 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.

Tigo Home: We currently have presence in eighteen 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 these 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, during Q2-2019 we commercially launched LTE broadband (Fixed Wireless WTTX) services in different territories reaching 9,200 Households YTD.

Tigo B2B Fixed: 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 30 September 2019, Tigo Business had 24,900 customers, which we estimate represents approximately 43% 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 nine-month period ended 30 September 2019. 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 more than 80% of our revenue from Guatemala, an emerging market. Inflation rates, exchange rate, rates of GDP growth and remittance levels affect our business, financial condition and results of operations.

Taxes

Our effective tax rate for the nine months ended 30 September 2019 and 2018 was 17.43% and 16.60%, 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.

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, electronic payments, collection, cable TV, advertising, sale of content and other services, tower rental, cyber security services and equipment and telephone handsets and equipment 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.

As at and for nine-month period ended 30 September 2019

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 $142.6 million (or 13.5% of revenue) for the nine months ended 30 September 2019, down from $148.5 million (14.7% of revenue) for the nine months ended 30 September 2018, and from $154.5 million (17.7% of revenue) for the nine months ended 30 June 2017.

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 decreased from approximately 10.80 million customers as at 30 September 2018 to approximately 10.65 million customers as at 30 September 2019, an annual decrease rate of approximately 1.4%, as a result of prepaid user base update (not affecting user core base). During this period, we also saw our market share of mobile users in Guatemala decrease by approximately 19 basis points. Our monthly average churn rate (handsets and datacards) for the nine months ended 30 September 2018 and 30 September 2019 was approximately 2.57% and 3.40%, respectively. In 2019 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), international incoming traffic declining, 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.

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 employee related 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.

The following changes to standards effective for annual periods starting on January 1, 2019 have been adopted by the Combined Group:

- IFRS16 "Leases". The Combined Group had to change its accounting policies as a result of adopting IFRS16 Leases.

On adoption, an additional lease liability of $260 million has been recognized and the application of the new standard decreased operating expenses by $11 million as compared to what our results would have been if we had continued to follow IAS 17 in the nine months ended March 31, 2019. The impact of the adoption of the leasing standard and the new accounting policies are further explained below. The application of this standard also affects the Combined Group's depreciation, operating and financial expenses, debt and other financing and leverage ratios. The change in presentation of operating lease expenses results in a corresponding increase in cash flows derived from operating activities and a decline in cash flows from financing activities.

• The following new or amended standards became applicable for the current reporting period and did not have any significant impact on the Combined Group's accounting policies, disclosures and did not require retrospective adjustments.

- Amendments to IFRS 9 "Financial instruments" on prepayment features with negative compensation.
- IFRIC 23 "Uncertainty over Income Tax Treatments" clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments.
- Amendments to IAS 19 "Employee benefits" on plan amendment, curtailment or settlement.

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. 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.

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.

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.

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.

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

As at and for nine-month period ended 30 September 2019

Results of Operations

USD thousands	Nine months ended 30 September		Percent change
	2019	2018	
Revenue	1,055,656	1,011,266	4.4%
Cost of sales	-239,122	-208,704	14.6%
Gross profit	**816,534**	**802,562**	**1.7%**
Operating Expenses	-254,550	-284,849	-10.6%
Depreciation and amortization	-169,949	-148,355	14.6%
Other operational income (expenses), net	-3,253	-6,347	-48.7%
Operating profit	**388,782**	**363,011**	**7.1%**
Interest expense	-70,032	-56,191	24.6%
Interest and other financial income	17,973	12,657	42.0%
Exchange loss, net	553	-14,461	-103.8%
Profit before tax	**337,276**	**305,016**	**10.6%**
Income tax expense	-58,776	-50,634	16.1%
Net profit and comprehensive income	**278,500**	**254,382**	**9.5%**
Operating Data:			
Number of mobile subscribers	**10,648,337**	**10,803,115**	**-1.4%**
Postpaid	723,903	637,441	13.6%
Prepaid	9,924,434	10,165,674	-2.4%
Monthly churn % (1)	**3.40%**	**2.57%**	**32.2%**
Monthly ARPU (US$) (2)	**8.0**	**9.1**	**-12.5%**
Number of employees	**3277**	**2945**	11.3%

(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 7.71 to US$1.00 for 2019 and 7.63 to US$ 1.00 for 2018.

(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 thousands	Period ended 30 September	
	2019	2018
Net profit	278,500	254,382
Net finance costs	52,059	43,534
Income tax	58,776	50,634
Foreign exchange loss / (gain), net	(553)	14,461
Share-based compensation	612	1,048
Depreciation and amortization	169,949	148,355
Loss on disposal and impairment of assets	3,253	6,347
EBITDA (1)	**562,596**	**518,761**

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As at and for nine-month period ended 30 September 2019

USD thousands	Period ended 30 September	
	2019	2018
EBITDA	562,596	518,761
EBITDA margin (2)	53.29%	51.30%
Net debt to LTM (3) EBITDA (4)	1.28X	1.03x
Total debt to LTM EBITDA (5)	1.60X	1.43x

(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 nine 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

Revenue for the nine months ended 30 September 2019 amounted to $1,055.65 million, increasing 4.4% from $1,011.26 million for the nine months ended 30 September 2018.

Analysing our revenue by business unit:

B2C Tigo Mobile (includes individual and corporate subscribers) revenue increased 3.4%, to $905.9 million, for the nine months ended in 30 September 2019 compared to the nine months ended 30 September 2018, increase driven mainly by Data services (increasing 5% from $378.5 million to $397.1 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 nine months ended 30 September 2019, value-added services represented 54% of recurring revenue and grew by 3% to 412.7 million (out of a total of $765.0 million in recurring revenue). As at 30 September 2019, our mobile customer base was 10.65 million, a decrease of 1.4% from 10.65 million as at 30 September 2018. As at 30 September 2019, prepaid customers accounted for 93%, or 9.9 million, of our total mobile customers compared to 94%, or 10.2 million, as at 30 September 2018.

B2C Tigo Home revenue grew by 13.6% to $102.2 million for the nine months ended 30 September 2019 compared to the nine months ended 30 September 2018. As a result of the increase of digital products penetration in data and cable, 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.

Tigo Business (fixed products only) revenue stayed in $47.8 million, for the nine months ended 30 September 2019 compared to $47.6 million for the nine months ended 30 September 2018, mainly driven by 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, cloud services and Cybersecurity.

Cost of sales

Cost of sales increased by 14.6% for the nine months ended 30 September 2019, to $239.1 million from $208.7 million for nine months ended 30 September 2018. The increase in cost of sales mainly driven by increase in local interconnection cost (since we launch unlimited calls to all local networks for LTE plans), programming cost (driven by growth in cable services) and the implementation of IFRS 15 (driven by handsets sales); 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.

Even though recognising higher cost (under new rules of IFRS 15), our gross profit increases in absolute values by $13.9 million (1.7% YoY). Our gross profit margin decreased to 77.3% for the nine months ended 30 September 2019 from 79.4% for the nine months ended 30 September 2018.

Operating expenses

Operating expenses had decreased by 10.6% for the nine months ended 30 September 2019 to $254.5 million from $284.8 million for the nine months ended 30 September 2018. Operating expenses decrease was mainly attributable to the decrease in subsidy costs due to the IFRS 15 implementation, the adoption of IFRS 16, the Combined Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases and operational cost efficiencies identified**.** As a percentage of revenue, operating expenses decreased from 28.2% for the nine months ended 30 September 2018 to 24.1% for the nine months ended 30 September 2019.

Depreciation and amortization

Our expenses related to depreciation and amortization charges increased by 14.6% for the nine months ended 30 September 2019, to $169.9 million from $148.4 million for nine months ended 30 September 2018. This was mainly due to IFRS16 implementation recognizing a Right of Use and its corresponding depreciation and amortization for $24.6 million for the period.

Operating profit

Operating profit increased by 7.1% for the nine months ended 30 September 2019 to $388.8 million from $363.0 million for the nine months ended 30 September 2018. This was mainly driven by the increase in revenue ($44.4 million) and the decrease in operating expenses ($30.3 million). The operating margin increase from 35.9% for the nine months ended 30 September 2018 to 36.8% for the nine months ended 30 September 2019.

Net finance costs

Net finance costs, which comprise interest expense and net of interest income, increased from $43.5 million for the nine-month ended 30 September 2018 to $52.1 million for the nine-month ended 30 September 2019 reflecting the interest expense related to lease liabilities under IFRS 16 in the amount of $14.2 million. Interest expense includes local currency facility 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 gain for the nine months ended 30 September 2019 of $0.5 million compared to net exchange loss of $14.5 million for the nine months ended 30 September 2018. 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 nine months ended 30 September 2019 and 30 September 2018 was Q 7.71 and Q 7.63, respectively.

Charge for taxes

The charge for taxes is $58.8 million for the nine months ended 30 September 2019, compared to $50.6 million for the nine months ended 30 September 2018. The charge for taxes increased 16.1% 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 nine months ended 30 September 2019 was $278.5 million, a 9.5% increase compared with our net profit of $254.4 million for the nine months ended 30 September 2018, as shown above the main drivers are: the increase in revenue ($44.4 million), the decrease in operating expenses ($30.3 million) and the interest gain in investments ($5.3 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. 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 30 September 2019, 2018 and 2017 amounted to $106.0 million, $129.9 million and $104.8

As of 30 September 2019, the Combined Group had fixed commitments to purchase network equipment, land and buildings and other fixed assets for $45 million (30 September 2018: $ 88.6 million), from a number of suppliers.

Financing

On 30 January 2014, Tigo Guatemala Companies issued an $800 million 6.875% fixed interest rate bond with a 10-year tenor, callable in the fifth year, 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 6 August 2019 in the amount of $27.5 million with the next payment due on February 6th, 2020 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 local banks. The Local Credit Facility was signed for 10-year tenor with bullet payment at maturity 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 local bank Banco G&T Continental without penalty fees with a standing principal of $140 million.

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

As at 30 September 2019, outstanding indebtedness at fair value is $928.5 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 September 30th, 2019, the entities of the Combined Group have not yet declared any dividends related with retained earnings of 2018.

As at 30 September 2019, the amount outstanding of shareholders loans is of $ 863.7 million including interest with a 3.06% interest rate charge.

Cash Flows

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

USD thousands	Nine-month period ended 30 September	
	2019	2018
Net cash provided by operating activities	442,968	403,056
Net cash used in investing activities	(124,648)	(125,249)
Net cash used in financing activities	(309,226)	(299,430)
Net increase in cash and cash equivalents	12,793	(25,034)
Cash and cash equivalents at the end of the period	226,877	270,583

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

As at and for nine-month period ended 30 September 2019

For the nine months ended 30 September 2019, net cash provided by operating activities was $442.9 million compared to $403.1 million of the nine months ended 30 September 2018 mainly due by operating profit increase, inventory and trade payables management efficiency.

Net cash used in investing activities was of $124.6 million for the nine-month ended 30 September 2019 compared to $125.2 million for the nine-month ended 30 September 2018. Continued focus on network investment strategy in LTE and HFC installation costs with no relevant acquisitions made throughout this year vs 2018.

Net cash used in financing activities for the nine-month ended 30 September 2019 was of $309.2 million of which $209.0 million are mainly attributable to shareholders loans distribution as at Q3. Also, IFRS 16 adoption is reflected on repayment of debt and financing amortization for $19.2 million giving a final cash and cash equivalents balance of $226.9

Litigation & legal risks

The Tigo Guatemala Companies are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As at September 30, 2019 and December 31, 2018 by $ 1.2 million in both periods have been provided for these claims in the combined statement of financial position. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Combined Group's financial position and operations.

Between 2017 and 2019, the International Commission Against Impunity in Guatemala ("CICIG"), and Guatemalan prosecutors have pursued investigations that have included the country´s telecommunications sector and Comcel. On September 3, 2019, the CICIG´s activities in Guatemala were discontinued, after the Guatemalan government did not renew the CICIG´s mandate. As at September 30, 2019, Management has not been able to assess the potential impact, (if any), 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 maybe imposed by law enforcement authorities. Accordingly, no provision has been recorded as of September 30, 2019.

Tax Claims

At September 30, 2019, Navega.Com, S.A. is disputing through an administrative process an adjustment made by the Tax Authorities in regards with the goodwill amortization of approximately $18.5 million related with business combinations completed in 2011 with effective date on January 2012. Despite the administrative process has been initiated at the Supreme Court, the tax authority has requested that the attorney general´s office investigate this matter through a criminal prosecution. Currently, a criminal court resolution is pending to define if the administrative o criminal way should be followed. At the current stage of the process, the Company has no information that deems for a provision to be necessary.

In 12 April 2018, the Constitutional Court notified Navega.Com, S.A. of an appeal filed by the Tax Authorities against the ruling of the Supreme Court of Justice in regards with the 3% stamp tax on the dividends payments from Navega.Com, S.A. to the shareholders for the 2007 and 2010 fiscal years. The estimated tax claim amounts to $2 million. Navega.Com, S.A. has responded this appeal and is waiting for a final resolution from the Constitutional Court. The Combined Group has recorded a provision in regards with this contingency.

Subsequent Events

There is no subsequent event since September 30, 2019 and up to the date of those financial statements.

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