Millicom International Cellular S.A. [i]

- Substantial progress made towards our strategic goals
  - Record 2.6 million 4G net adds - 24% growth [ii] in mobile data revenue
  - Fibre network expands by a record 777,000 homes - 8.1 million total homes passed
- Expanded EBITDA margin - strong 23% cash-flow growth - lower net debt - dividend cash-covered
- Agreement reached to sell Tigo Senegal for $129 million, process initiated to sell holding in HTA

Q4 Highlights

- Latam delivered 6.5% cable revenue growth [ii] and 17.5% mobile data revenue growth [ii]
- Service revenue down 0.9% year-on-year [ii] - held back by voice/SMS decline and El Salvador
- Adjusted EBITDA margin strengthened to 35.5%
- Africa achieved 9.1% service revenue growth [ii] with EBITDA margin of 32.4%

Full-Year Performance

- Total revenue of $6.25 billion - service revenue growth [ii] 1.2% year-on-year
- Adjusted EBITDA of $2,225 million, growth [ii] of 4.3%
- Operating Cash Flow up 23% to $1,141 million – Africa delivered positive OCF
- Net debt down by $114 million to $4,181 million
- 2016 Ordinary Dividend proposed at $2.64 per share

Summary of key financial indicators

$m	Q4 2016	Q4 2015	% change	FY 2016	FY 2015	% change
Revenue	1,594	1,636	(2.6%)	6,249	6,572	(4.9%)
Organic growth [ii]	*(2.1%)*	*4.4%*	-	*(0.4%)*	*7.3%*	-
Service revenue	1,484	1,505	(1.4%)	5,855	6,056	(3.3%)
Organic growth [ii]	*(0.9%)*	*6.2%*	-	***1.2%***	*5.8%*	-
Reported EBITDA	536	502	6.9%	2,172	2,188	(0.8%)
Adjusted EBITDA	566	549	3.1%	2,225	2,227	(0.1%)
Organic growth [ii]	*1.4%*	*3.0%*	-	***4.3%***	*9.0%*	-
Adjusted EBITDA margin	35.5%	33.6%	-	35.6%	33.9%	-
Capex	400	446	(10.4%)	1,031	1,258	(18.1%)
OCF (EBITDA – Capex)	136	56	145.4%	1,141	930	22.7%
Net debt	4,181	4,295	(2.6%)			

i The financial information presented in this earnings release is with Guatemala (55% owned) & Honduras (66.7% owned) as if fully consolidated. See page23 for reconciliation with IFRS numbers. The comparative 2015 financial information in this earnings release has been re-presented as a result of the classification of our operations in DRC as discontinued operations (in accordance with IFRS 5)

ii Organic growth represents year-on-year growth in local currency , at constant perimeter, and includes regulatory changes. See page 21 for reconciliation with reported measures. See page 20 for definition of Alternative Performance Measures.

Millicom Chief Executive Mauricio Ramos commented:

"**In 2016 we made substantial progress towards our strategic goal of a two-fold reconfiguration of our business, rapidly growing our mobile data and cable revenue in Latin America, and pushing ahead with major initiatives to enhance our operational efficiency.**

Looking ahead to 2017, we aim to accelerate further the implementation of our strategy in Latin America, targeting to roll out state-of-the-art fibre to more than 1 million additional homes in the year, and to add more than 3 million new 4G mobile data customers."

"In the final quarter of the year mobile data and cable in Latin America together contributed 50% of total group service revenue, compared to 45% in the same period the year before, as we reach a pivotal point in our revenue mix. Cable revenue growth was driven by the addition in the year of 777,000 new fibre homes passed, taking our total cable footprint to over 8.1 million homes, ahead of the target of 8 million we had set at the start of the year.

Growth of mobile data revenue in Latam was driven by the increase in the number of smartphone data users, and in particular by the rapid growth of our 4G customer base. We have now launched 4G in all of our Latam markets and our high-ARPU 4G customer base grew four-fold during the year, to more than 3.4 million.

As expected we saw continuing erosion of our voice and SMS revenues in Latam during the year, reflecting the changing patterns of customer usage seen in mobile markets globally, and this constrained our total service revenue growth in Latam in the year. The effect of declining voice and SMS was exacerbated in Colombia, our largest market, which saw competitive pressures throughout 2016, although easing somewhat at the end of the year. We also experienced very difficult operating conditions in El Salvador.

Service revenue in Latam was therefore down 0.2% in the year, and while EBITDA declined by 2.2% our margin improved slightly to 38.5%, and we generated Operating Cash Flow of $1.2 billion.

Operational efficiencies achieved during the first year of our Project Heat initiatives underpinned our EBITDA margin and higher cash-flow in Latam, delivering a lower operating cost run rate as well as capex and working capital savings during 2016.

Our African business performed well in 2016, exceeding our targets. Service revenue grew by 10.5% and the EBITDA margin improved to 29%, from 22% in 2015. Most importantly, we achieved our target for Africa of positive operating cash flow in 2016, delivering Operating Cash Flow of $97 million.

We have agreed to sell our business in Senegal to Wari Group for $129 million, subject to regulatory approvals. We have also initiated a process to sell our 22% stake in Helios Towers Africa. Both transactions are in line with our aim of focusing our business where we can develop advanced fixed and mobile data services and add material long-term value, while monetising the significant value we have created in other areas.

Overall in 2016 we made substantial strategic progress and delivered service revenue growth, a higher EBITDA margin, and strong cash flow with our OCF margin of 18.3% now close to our 20% medium-term target. This performance gives us a solid base on which to accelerate our strategic execution in 2017 and deliver further revenue, EBITDA and cash flow growth."

2017 Outlook

"For 2017 we expect organic service revenue growth to be in the low single-digit range, and ahead of the growth we achieved in 2016. Whilst we expect robust competition in Colombia to continue, and voice and SMS revenues across Latam to decline further through 2017, the lower weighting of these within our overall mix, combined with further strong growth in our mobile data, home and B2B revenues, allows us to be more confident about our revenue growth outlook in 2017.

We expect to make further progress in configuring our cost base in 2017, driven by both operational leverage and Project Heat initiatives. We therefore expect to deliver organic growth in EBITDA in the mid-to-high single-digit range, and again higher than the growth seen in 2016.

Capex in 2017 is expected to be broadly in line with 2016, and focused on our core growth areas of fibre and 4G network roll-out, with converged IT infrastructure

By growing EBITDA, and targeting our investment programme, we expect to deliver Operating Cash Flow growth in 2017 of around 10%".

Outlook summary

Based on constant currency, at a constant perimeter with Guatemala and Honduras fully consolidated, and on our current assessment of the macroeconomic outlook, we currently expect for 2017:

	Outlook
Service revenue [(a)]	Low single-digit % organic growth
EBITDA	Mid-to-high single-digit % organic growth
Capital expenditure	In line with 2016
Operating Cash Flow [(b)]	Growth around 10%

[(a)] *Service revenue is Group revenue excluding telephone and equipment sales*

[(b)]*Operating Cash Flow is underlying EBITDA less capex (excluding spectrum and license costs)*

Against our 2015 currency adjusted service revenue of $5.73 billion, full-year service revenue growth in 2016 was 1.4%, and against our 2015 currency adjusted EBITDA of $2.09 billion, full-year adjusted EBITDA growth in 2016 was 4.8%.

2016 Dividend

At the Annual General Meeting on 4 May 2017 the Board will propose payment of an unchanged ordinary dividend of $2.64 per share.

Events subsequent to Year-End

On 7 February we announced the sale of our business in Senegal for $129 million. The transaction is subject to regulatory approval. We have also announced our intention to sell a 22% stake in Helios Towers Africa, one of the leading tower companies in Africa.

Risks and uncertainty factors

Millicom operates in a dynamic industry characterized by rapid evolution in technology, consumer demand, and business opportunities. Combined with a focus on emerging markets in various geographic locations, the Group has a proactive approach to identifying, understanding, assessing, monitoring and acting on balancing risks and opportunities. For a description of risks and Millicom's approach to risk management, please refer to the 2015 Annual Report (http://www.millicom.com/investors/reporting-centre). In addition to the information in the 2015 Annual Report and the information provided in this release, please refer to Millicom's press release, dated October 21, 2015, entitled "Millicom reports to authorities potential improper payments on behalf of its Guatemalan joint venture." At this time, Millicom's investigation remains on-going, and Millicom cannot predict the outcome or consequences of this matter.

This press release may contain certain "forward-looking statements" with respect to Millicom's expectations and plans, strategy, management's objectives, future performance, costs, revenue, earnings and other trend information. It is important to note that Millicom's actual results in the future could differ materially from those anticipated in forward-looking statements depending on various important factors, including those included in this release. All forward-looking statements in this press release are based on information available to Millicom on the date hereof. All written or oral forward-looking statements attributable to Millicom International Cellular S.A., and Millicom International Cellular S.A. employees or representatives acting on Millicom's behalf are expressly qualified in their entirety by the factors referred to above. Millicom does not intend to update these forward-looking statements.

Conference call details

A presentation and conference call to discuss these results will take place at 14.00 Stockholm / 14.00 Luxembourg / 13.00 London / 08.00 New York, on Wednesday 8 February. Dial-in numbers:

Sweden	+ 46 (0) 8 5033 6574
UK	+ 44 (0) 330 336 9411
US	+ 1 719 325 2213
Luxembourg	+ 352 2786 1395
Access code:	2979432

A live audio stream of the analyst presentation can also be accessed at www.millicom.com. Please dial in / log on 10 minutes prior to the start of the conference call to allow time for registration. Slides to accompany the conference call will be available at www.millicom.com

Financial calendar

Millicom will publish Results for 2017 First Quarter on Wednesday 26 April 2017.

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About Millicom

Millicom is a leading telecom and media company dedicated to emerging markets in Latin America and Africa. Millicom sets the pace when it comes to providing innovative and customer-centric digital lifestyle services through its principal brand, Tigo. Millicom employs more than 16,000 people and provides mobile services to more than 57 million customers, with a Cable footprint of more than 8.1 million homes passed. Founded in 1990, Millicom International Cellular SA is headquartered in Luxembourg and listed on NASDAQ OMX Stockholm under the symbol MIC. In 2016, Millicom generated revenue of USD 6.25 billion and Adjusted EBITDA of USD 2.22 billion.

Combined Annual Report

This year we are publishing our first combined annual report that brings together our corporate responsibility and annual reports and is a natural evolution for us. It reflects both the strong social and economic impact of our products and services on our markets, and how we continue to embed responsible business practice within our business processes. Our reporting is also in line with our commitment to transparency which is a key element of building trust with our shareholders and wider stakeholders.

Financial Review

US$m	Q4 16	Q4 15	%	FY 16	FY 15	%
Revenue	**1,594**	**1,636**	**(2.6%)**	**6,249**	**6,572**	**(4.9%)**
Cost of sales	(420)	(473)	(11.2%)	(1,655)	(1,793)	(7.7%)
Gross profit	**1,174**	**1,163**	**0.9%**	**4,594**	**4,778**	**(3.9%)**
Operating expenses	(637)	(661)	(3.6%)	(2,422)	(2,590)	(6.5%)
EBITDA	536	502	6.9%	2,172	2,188	(0.8%)
Depreciation & amortisation	(416)	(311)	34.0%	(1,368)	(1,281)	6.8%
Other operating income / (expenses), net	(40)	(57)	(29.6%)	(43)	(64)	(32.3%)
Operating profit	**81**	**134**	**(39.7%)**	**761**	**843**	**(9.8%)**
Net financial expenses	(130)	(99)	31.8%	(472)	(403)	17.1%
Other non-operating income / (expenses), net	(50)	(411)	(87.8%)	(1)	(624)	(99.8%)
Gains / (losses) from associates, net	(51)	136	N/M	(49)	100	N/M
Profit / (loss) before tax	**(150)**	**(240)**	**(37.4%)**	**239**	**(84)**	**N/M**
Net tax credit (charge)	(66)	(111)	(40.5%)	(251)	(278)	(9.6%)
Profit / (loss) for the period from continuing ops.	**(216)**	**(351)**	**(38.4%)**	**(13)**	**(361)**	**(96.5%)**
Non-controlling interests	73	(39)	N/M	(38)	(115)	(66.7%)
Profit / (loss) from discontinued operations	1	(37)	(101.5%)	19	(83)	N/M
Net profit / (loss) for the period	**(143)**	**(426)**	**(66.5%)**	**(32)**	**(559)**	**(94.3%)**
Adjusted net profit (loss) for the period [i]	**39**	**4**	**N/M**	**73**	**87**	**(16.6%)**
Adjusted earnings per share	0.39	0.04	N/M	0.73	0.87	(16.6%)

[i] *See page 23 for reconciliation of adjustments*

Q4 review

Group total revenue of $1,594 million was 2.6% lower than the same quarter last year as reported, and 2.1% lower on an organic basis (in local currency and at constant perimeter). Service revenue declined by 0.9% in the quarter on an organic basis compared to the same period in 2015.

Handset revenue was around 21% lower than the same period last year, mainly reflecting more handsets now being sold through indirect channels in Colombia, consistent with the trend seen in the previous quarters. Service revenue declined primarily due to the fall in voice and SMS in our Latam markets more than offsetting growth of our mobile data and cable revenues in Latam and our mobile revenue in Africa. Market specific issues in El Salvador also contributed significantly to lower service revenue in the quarter, as did the non-recognition of revenue on the Guatemala surveillance contract recognised in the prior year.

The gross margin improved to 73.6% year-on-year, from 71.1% in the same period in 2015, mainly due to higher margins in Africa as well as lower handset sales in Latam.

Group operating expenses fell by 3.6% year on year, but remained unchanged year-on-year as a proportion of total revenue, at 40.0%. Corporate costs in the quarter were $47 million, $2 million higher than the same period last year, but included around $8 million of one-off provisions relating to contractual claims. Excluding these items, corporate costs in the fourth quarter would have been almost $6 million lower than in the same quarter of 2015.

Depreciation and amortisation increased by $105 million in the quarter to $416 million. This included an increase of around $80 million relating to certain fair value adjustments undertaken following the deconsolidation of Honduras and Guatemala at the end of 2015.

Other operating expenses in the quarter were $40 million, and included a write-down of assets associated with the Guatemala surveillance contract. (The fourth quarter of 2015 had included a substantial impairment in Africa.)

Net financial expenses increased by $31 million year-on-year to $130 million, mainly due to the costs associated with the re-purchase of $300 million of Senior Notes in December, new debt holdings, and higher levels of local currency debt in Colombia, which attracts a higher rate of interest.

Other non-operating expenses in the quarter were $50 million, mainly comprising losses on foreign exchange. The $361 million year-on-year decrease in non-operating expenses mainly reflects the impact in the fourth quarter of 2015 of a non-cash loss on deconsolidation of Guatemala and Honduras.

The loss from associates in the quarter of $51 million was mainly due to the impairment of the value of our investment in LIH, following the latest funding round for GFG, one of LIH's principal assets. (The fourth quarter of 2015 had included the revaluation of our stake in HTA following a funding round.)

A net tax charge of $66 million was reported in the quarter, compared to a charge of $111 million in the fourth quarter of 2015, mainly due to profit mix changes and lower withholding tax on cash repatriation.

The share of losses of non-controlling interests was $73 million, compared to the share of profits of $39 million in the fourth quarter of 2015. This reflected higher losses in Colombia, including the impact of $23 million of restructuring charges, and the non-cash fair value adjustments in Guatemala and Honduras. The $1 million profit from discontinued operations, compared to the loss of $37 million in the same quarter last year, reflected the sale of our business in the DRC in the first quarter of 2016.

FY review

Full year revenue was $6,249 million, down 4.9% on a reported basis but a decrease of only 0.4% in local currency. Service revenue in the full year was $5,855 million, 1.2% higher than in 2015 on an organic basis. The difference between total revenue and service revenue represents handset and equipment sales, which declined by 25% on a reported basis mainly due to the fewer handsets being sold directly in several Latam markets, as well as the lower price mix of handsets sold.

Gross profit was $4,594 million, 3.9% lower than 2015, but the gross margin improved to 73.5% from 72.7% last year, reflecting the lower proportion of handset sales in the revenue mix.

Operating expenses in the full year were $ 2,422 million, 6.5% lower than in 2015 and representing 38.8% of total revenue, compared to 39.4% in the prior year. The main drivers of the reduction in operating expenses included lower corporate costs, operational efficiencies generated by Project Heat in Latam, and tighter cost control in Africa. Corporate costs in the full year fell by $44 million to $165 million, and accounted for 2.6% of total revenue, compared to 3.2% in 2015.

Depreciation and amortisation of $1,368 million was 6.8% higher year-on-year and includes the fair value adjustment relating to the deconsolidation of Guatemala and Honduras. Other operating expenses in the full year of $43 million were $21 million lower than in 2015, with around half of this charge due to the impairment of assets related to the Guatemala surveillance contract.

Operating profit was $761 million, down 9.8% year-on-year, mainly due to lower gross profit and higher depreciation and amortisation more than offsetting the reduction in operating costs.

Net financial expenses were $472 million, $69 million higher than in 2015. Higher levels of local currency debt in Colombia meant that we incurred significantly higher interest charges on our debt held there, and we also incurred one-off costs of $25 million in respect of our tender offer in December 2016 for $300 million of outstanding bonds, and for the early redemption of our Swedish Krone bond due in 2017. Finance lease charges accounted for $66 million of net financial expenses, compared to $80 million in 2015.

The loss of $1 million in respect of other non-operating income for the full year reflected the impact of more stable currencies across our markets, compared to 2015 when we incurred foreign exchange losses over $300 million. 2015 also included a non-cash loss recognised on the deconsolidation of Guatemala and Honduras, partially offset by the non-cash adjustment to the fair value of the put options.

Losses from associates of $49 million included the impairment of the value of our interest in LIH (in 2015 a profit from associates was recorded, mainly due to the revaluation of our stake in HTA following a funding round.).

Profit before tax was $239 million compared to a loss of $84 million in 2015, due to the other non-operating items described above.

The Group net tax charge in 2016 of $251 million was almost 10% lower than 2015, mainly due to profit mix changes and lower withholding tax on cash repatriation The share of profits of non-controlling interests reduced by $77 million, to $38million, again reflecting the restructuring charges in Colombia and fair value adjustments in Guatemala and Honduras mentioned above. The profit of $19 million from discontinued operations reflected the profit on the sale of our business in DRC, for which a loss of $83 million was recorded in 2015.

The net loss for the period was $32 million, compared to a net loss of $559 million in 2015. Adjusted net profit was $73 million ($87 million in 2015). Adjusted earnings per share was $0.73 (2015: $0.87).

The Group's ROIC was 13.1%, after corporate costs, compared to 11.7% in 2015. The ROIC on operations was 16.0% compared to 15.5% in 2015.

Reconciliation from Operating Profit to Adjusted EBITDA

US$m	Q4 16	Q4 15	FY 16	FY 15
Operating Profit as reported (IFRS)	**69**	**134**	**482**	**843**
Impact of full consolidation of Guatemala and Honduras on operating profit	12	0	279	0
Operating Profit per management reporting	**81**	**134**	**761**	**843**
Depreciation and amortisation	416	311	1,368	1,281
Other operating income (expenses), net	40	57	43	64
EBITDA	**536**	**502**	**2,172**	**2,188**
EBITDA margin	33.6%	30.7%	34.8%	33.3%
Restructuring, integration costs and other one-off charges	30	48	53	39
Adjusted EBITDA	**566**	**549**	**2,225**	**2,227**
Adjusted EBITDA margin	35.5%	33.6%	35.6%	33.9%

Q4 review

Adjusted EBITDA reflects the underlying performance of the business, before the impact of one-off items. The main one-off items included in the $30 million adjustment to reported EBITDA in the quarter were $23 million of charges in Colombia related to restructuring, and a provision for one-off contractual claims. The net impact of a number of other, smaller one-off items was broadly neutral.

In the fourth quarter Adjusted EBITDA grew by 1.4% organically to $566 million and the adjusted EBITDA margin improved to 35.5% from 33.6% in the same period last year.

This underlying margin improvement in the quarter reflected the year-on-year impact of the reduction in corporate costs in the quarter and operating efficiencies achieved, partially offset by the more competitive environment in Colombia, and tougher market conditions in El Salvador, relative to the same quarter last year.

FY review

Adjusted EBITDA for the full-year was $2,225 million, representing organic growth of 4.3% year-on-year. The $53 million full-year adjustment principally included charges in respect of restructuring in Colombia, provisions for one-off contractual claims, tax charges and disputes, and charges for de-recognition of the surveillance contract in Guatemala.

Free Cash Flow

US$m	Q4 16	Q4 15	% Change	FY 16	FY 15	% Change
Adjusted EBITDA	**566**	**549**	**3.1%**	**2,225**	**2,227**	**(0.1%)**
Restructuring, integration costs and other one-offs	(30)	(48)	(36.8%)	(53)	(39)	37.3%
EBITDA	**536**	**502**	**6.9%**	**2,172**	**2,188**	**(0.7%)**
Net Cash Capex (excluding spectrum and licenses)	(253)	(319)	(20.8%)	(1,051)	(1,123)	(6.4%)
Change in working capital and other non-cash items	106	168	(36.9%)	(1)	79	(101.3%)
Operating Cash Flow	**390**	**351**	**11.1%**	**1,121**	**1,144**	**(2.1%)**
Taxes paid	(52)	(62)	(16.0%)	(259)	(252)	2.9%
Operating Free Cash Flow	**338**	**289**	**16.9%**	**861**	**892**	**(3.5%)**
Interest paid, net	(119)	(89)	33.9%	(427)	(349)	22.4%
Free Cash Flow	**218**	**200**	**9.4%**	**434**	**543**	**(20.1%)**
Advances for dividends to non-controlling interests	(117)	(89)	31.3%	(165)	(269)	(38.7%)
Equity Free Cash Flow	**102**	**111**	**(8.3%)**	**269**	**274**	**(1.8%)**

Q4 review

Operating cash flow was strong in the quarter, $39 million higher than in the fourth quarter of 2015, driven by higher EBITDA and substantially lower cash capex, partially offset by lower working capital inflows.

Cash capex of $253 million was $66 million lower than in the same period last year, reflecting our improved capital discipline and focusing of our investment spend on the core growth areas of cable and 4G network roll-out and on convergence-ready IT systems. The impact of the reduction in cash capex in the quarter was largely offset by a lower working capital inflow in the quarter.

Cash tax paid in the fourth quarter was $10 million lower than in the same quarter last year, mainly due to a different profit mix across the group. Cash interest paid in the quarter increased by $30 million year-on-year, due to the costs incurred during the re-purchase of the $300 million of 2020 and 2021 Senior Notes (including the premiums paid, as well as the bank charges) and higher interest rates in Colombia.

The $28 million increase in dividends paid to non-controlling interests in the quarter is a function of seasonality of distribution and timing of the payments executed from Colombia, Honduras and Guatemala.

The net result was equity free cash flow $102 million in the quarter, $9 million lower than in the same quarter in 2015.

FY review

Equity free cash flow in 2016 was $269 million, more than covering the proposed Millicom group dividend payment of $265 million. This excludes cash payments in respect of spectrum and licenses of $39 million, including $30 million for 4G spectrum in Paraguay.

Equity free cash flow was broadly flat compared to 2015, but this reflected a combination of slightly higher Adjusted EBITDA, lower cash capex, and a lower level of advances for dividends to non-controlling interests, offset by working capital, which was flat in the year compared to $79 million inflow in 2015, and higher net interest payments, these being mainly due to higher levels of local currency debt, particularly in Colombia, and the one-off costs of the bond tender offer and early redemptions. Cash tax was broadly flat year-on-year.

Net Debt

US$m	Gross Debt	Of which Finance Leases	Cash	Of which Restricted Cash	Net Debt [i]
Latin America	**3,126**	**172**	**682**	**36**	**2,444**
Of which local currency	1,655	172	355	36	1,300
Africa	**416**	**123**	**207**	**120**	**209**
Of which local currency	185	123	180	120	5
Corporate	**1,748**	**0**	**220**	**0**	**1,528**
Group	**5,290**	**295**	**1,109**	**156**	**4,181**
o.w. Guatemala and Honduras	1,390	1	314	11	1,076
Group excluding GT & HN	**3,901**	**295**	**795**	**145**	**3,105**
Proportionate basis	4,276	0	912	151	3,364

i Net debt is Gross debt (including finance leases) less cash, restricted cash, and pledged deposits of $3 million

Gross debt at 31 December 2016, including finance leases, fell by almost $500 million to $5,290 million, from $5,789 million at the end of September 2016. This was due mainly to the repurchase of $300 million of 2020 and 2021 Senior Notes undertaken through a tender offer in December 2016, as well the repayment of around $50 million of debt in Colombia, and the early full redemption of $40 million of Swedish Krona bonds maturing in October 2017.

Around 59% of group gross debt at 31 December 2016 was held in Latin America, with just less than 8% held in Africa and the remaining 33% held at corporate level. Financial lease liabilities of $295 million represented 5.6% of group gross debt, and around 30% of gross debt in Africa. (In 2015 finance leases were $334 million and represented 6.2% of group gross debt.)

At 31 December 2016, 71% of group debt was at fixed rate and 35% was in local currency, compared to 30% at the end of 2015, and in line with our aim of increasing the proportion of total group debt held in local currency, to mitigate the risks of currency volatility. The average maturity of our debt stood at 5.4 years and our average cost of debt excluding finance leases remained flat at 6.5%.

Our cash position at 31 December 2016, excluding restricted cash, stood at $953 million, of which 66% was held in US dollars. The restricted cash balance, principally comprising MFS customer account balances, was $156 million.

Group net debt, including Guatemala and Honduras on a fully consolidated basis, was $4,181 million at the end of December 2016, $114 million lower than at the end of 2015, reflecting stronger cash flows. Net debt / EBITDA, based on the last twelve months EBITDA, was 1.93x at 31 December 2016, compared to 1.97x at the same time last year.

Proportionate net debt the end of 2016, excluding 45% of Guatemala, 33.3% of Honduras and 50% of Colombia, was $3,364 million and proportionate net debt / to EBITDA was 2.15x, compared to 2.29x at the end of December 2015.

Group Business Review

Latin America

Financial & operating data

KPI ('000)	Q4 & FY 2016	Q4 & FY 2015	YOY change
Mobile customers	32,004	32,585	(1.8%)
Of which mobile data customers	13,719	12,038	14.0%
Of which 4G customers	3,432	856	300.9%
Total homes passed	8,119	7,632	6.4%
HFC homes passed	7,152	6,375	12.2%
Cable – HFC revenue generating units	3,694	3,244	13.9%

All numbers are organic stated in local currency and constant perimeter. Further details are provided in the Financial & Operational Data excel file on our website (www.millicom.com/investors)

Financial	Q4 2016	Q4 2015	*Organic YOY*	FY 2016	FY 2015	Organic *YOY*
Mobile ARPU (US$)	8.4	9.0	(5.8%)	8.3	9.2	(6.0%)
Mobile data ARPU (US$)	8.3	7.9	5.4%	8.2	7.9	8.8%
Residential cable ARPU	27.5	26.0	5.1%	26.9	27.2	6.7%
Total Revenue (US$m)	1,365	1,415	(3.4%)	5,352	5,740	(1.8%)
Service revenue (US$m)	1,257	1,288	(2.3%)	4,966	5,237	(0.2%)
Of which Mobile data	323	276	17.5%	1,221	1,035	22.7%
Of which Cable service	411	386	6.5%	1,572	1,578	7.4%
EBITDA (US$m)	501	513	(2.1%)	2,063	2,204	(2.2%)
EBITDA margin %	36.7%	36.3%	0.4pt	38.5%	38.4%	0.2pt
Capex[a] (US$m)	326	370	(11.9%)	867	1,045	(17.1%)

Strategy

During 2016 we accelerated implementation of our two-fold reconfiguration strategy in Latin America. On the revenue side, we continued to build out both our cable and 4G mobile networks, monetising these investments as rapidly as possible to offset declining voice and SMS revenues. On the cost side, we pressed ahead with Project Heat, transforming our operational cost base to reflect our changing revenue mix and to enhance operational efficiency. This two-fold reconfiguration will enable us to build strong, sustainable market positions across Latam, allowing us to deliver a superior customer experience and to grow long-term shareholder value.

Market environment

The macroeconomic environment across Latin America was generally more stable towards the end of 2016, when we saw only minor currency movements and some improvement in the broader economic indicators in some markets, in contrast to the conditions prevailing during the same period in the previous year. This meant that the main external factors affecting our performance in 2016 were the fundamental structural changes taking place within our mobile markets, the competitive conditions prevailing in each market, and certain country specific issues, such as security, rather than the general macroeconomic environment.

a Capex excludes spectrum and license costs

Among our markets, competition was most intense in mobile in Colombia, with aggressive price competition and promotional activity seen throughout 2016, although we started to see some price stability towards the end of the year. Competition affected both the pre-pay and post-paid segments and we therefore saw faster declines in voice and SMS revenue and slower growth in data revenue in Colombia compared to most of our other Latam markets. The operating environment in our other markets remained competitive, but broadly stable.

The security situation in El Salvador had a significant impact on the operating conditions we experienced in this market through the year. The government imposed a 5% sales tax at the start of the year, and ordered the shutting down of mobile networks around prisons, many of which are located in urban areas with residential customers. Security factors also held back the speed at which we could build out both our fixed and mobile networks. All of these factors combined to significantly constrain our 2016 service revenues.

Cable

In the fourth quarter we significantly accelerated the roll out of our HFC network, passing 304,000 new homes, almost double the roll-out run rate achieved during the previous three quarters. This acceleration was seen in all of our larger Latam markets.

During the full year in 2016 we passed 777,000 new HFC homes, of which 290,000 were legacy copper homes, so that our net cable footprint increase in the year was 487,000 homes passed. Our HFC networks grew to 7.152 million homes, 12.2% bigger than at the end of 2015 and accounting for 88% of our total cable network, up from 84% at the end of 2015. At the end of 2016 our total cable network passed more than 8.1million homes, ahead of the target of 8 million set at the start of the year.

Market penetration also remained strong and we ended the year with almost 3.7 million HFC RGUs, almost 14% higher than at the end of 2015, with the proportion of our customers taking double and triple play services increasing to 59% of our total base, up from 56% at the end of the previous year. This was reflected in residential cable ARPU, which grew organically by 5.1% year-on-year in the fourth quarter to $27.50.

Mobile

Our mobile markets in Latin America reflected the customer usage trends seen globally over recent years, with declining use of traditional voice and SMS services, and their replacement by a range of data applications. Evidence from other, more mature markets globally suggests that during this transition the decline in voice and SMS revenues initially outweighs the growth of mobile data revenue, putting pressure on total service revenue growth. However typically markets then go through an inflection point, as the revenue mix changes and mobile data growth starts to more than offset the voice and SMS decline, so that total service revenue growth resumes.

Based on the trends seen in 2016, our mobile markets in Latam are getting closer to that inflection point. Mobile data revenue grew by nearly 23% the full year, while voice and SMS revenue fell by 15%. In the fourth quarter mobile data accounted for 40% of total mobile service revenue, compared to 32% in the fourth quarter of 2015, with the share of voice and SMS in the mix correspondingly falling to 51% from 58%.

Across our Latam markets we saw a net loss of 580,000 customers during 2016, which included elimination of substantial numbers of inactive pre-pay subscribers in a number of our markets. However, our mobile data customer base grew by almost 1.7 million, to 13.7 million, which accounted for around 43% of the total base at the end of the year, up from 37% at the end of 2015. Data growth and voice and SMS decline were also reflected in our customer ARPU trends. In the fourth quarter, mobile ARPU overall fell by 5.8% year-on-year on an organic basis, while mobile data ARPU increased by 5.4% year-on-year, to $8.3. Data usage expanded to 1.6 Gb per user per month, from 1.3 Gb last year.

We had launched 4G services in Colombia, Bolivia and Honduras in the second half of 2015 and acquired 856,000 4G customers in those markets by the start of 2016. We launched 4G in Paraguay, Guatemala and El Salvador during the course of 2016 and by the end of the year the total 4G base across all six of our markets had grown around four-fold, to more than 3.4 million customers. By the end of 2016 more than 30% of our traffic was carried on our 4G networks. The expansion of our 4G customer base is a key driver of mobile data growth, with 4G ARPU across Latam as a whole of over $20.

Targeting efficiencies

Project Heat made significant progress during the year, with material opex and capex savings achieved by the 179 initiatives running across five main functional areas. Important areas of efficiency improvements included procurement, logistics, field operations and network services. There improvements underpinned our EBITDA and cash-flow margins in Latam, and delivered one-off working capital gains in the year.

Financials

Q4 summary

Total revenue in Latam declined by 3.4% in the quarter on an organic basis, to $1,365 million and service revenue declined by 2.3% year-on-year, to $1,257 million. This was broadly in line with the performance in the third quarter, with improved quarter-on-quarter performance in the fourth quarter in Colombia, Guatemala and Honduras offset by slower growth in Paraguay and Bolivia and a steep decline in El Salvador.

Voice and SMS service revenue fell by 16.7% year-on-year in the quarter, while mobile data revenue grew by 17.5%. Total cable service revenue grew by 6.5% year-on-year, with residential cable growth of 10.0%.

EBITDA in Latam declined by 2.1% in the quarter but the EBITDA margin was 36.7%, slightly higher than in the fourth quarter last year, reflecting our evolving service revenue mix.

Capital expenditure decreased by almost 12% in the quarter to $326 million, compared to $370 million in the same quarter of 2015, mainly as a result of the more focused investment programme implemented across the group, targeting core growth areas and convergence-driven IT projects.

As a result, our operating cash flow in Latam in the fourth quarter increased by 22% year-on-year to $175 million.

Full-year summary

Total revenue in Latam declined by 1.8% in 2016 on an organic basis, to $5,352 million. Service revenue declined by 0.2% year-on-year, to $4,966 million. The significantly steeper fall in total revenue was due to lower direct handset sales, mainly in Colombia and Paraguay.

Voice and SMS service revenue fell by 15.2% to $1,727 million, while mobile data revenue grew organically by 22.7% to $1,221 million. Total cable service revenue grew by 7.4% year-on-year, with fixed B2B revenue increasing by 2.7% and residential cable revenue growing by 9.7% organically in the year.

EBITDA in Latam declined by 2.2% in the year, with the EBITDA margin of 38.5% slightly higher than in 2015.

Capital expenditure reduced by 17% in the full year to $867 million, compared to $1,045 million in 2015, again mainly reflecting the tighter focus of the investment programme on core growth areas of HFC and 4G and convergence-focused IT capabilities. Around 47% of our capital expenditure was invested in the fixed network and 39% in the mobile network.

Investment in spectrum and licences in Latam was $94 million, of which $39 million was cash payments.

Operating cash flow in Latam in the full year grew by 3.3% year-on-year to $1,197 million, representing an OCF margin of 22.4%.

FOURTH QUARTER REVIEW BY COUNTRY

Colombia

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers ('000)	7,764	8,926	(13.0%)	7,764	8,926	(13.0%)
Total revenue (US$m)	457	459	(1.1%)	1,717	1,982	(3.2%)
Service revenue (US$m)	408	413	(1.9%)	1,580	1,776	(0.5%)
EBITDA (US$m)	99	107	(7.4%)	461	545	(5.2%)
EBITDA margin %	21.7%	23.2%	(1.5pt)	26.9%	27.5%	(0.6pt)

The mobile market in Colombia remained very competitive during the fourth quarter, although we saw signs of stability towards the end of the quarter, which meant that along with continuing residential cable growth and a resumption of growth in B2B, the rate of decline in total service revenue in Colombia slowed to 1.9% year-on-year, from 2.9% in the previous quarter.

In the mobile market, post-paid revenue was slightly stronger in the quarter, with competition taking the form of seasonal promotional activity and targeted retention offers, with some underlying price increases - the overall post-paid pricing trend across the market in the quarter was upwards.

Pre-pay revenue remained under pressure, reflecting in particular some aggressive competitor activity in the coastal region into the start of the quarter. However this abated towards the end of the period, and our seasonal promotional offers and initiatives to reduce churn of higher-ARPU pre-paid customers were effective, so that our performance in pre-pay through the important Christmas period was stronger.

Mobile data revenue grew by 10% in the quarter and we added 132,000 new 4G customers, taking the total base to over 1 million, with 4G customer ARPU more than double the ARPU of the total base of data users. In the fourth quarter mobile data and mobile voice and SMS both generated similar total service revenue – if current growth trends continue then mobile data service revenue will exceed voice and SMS revenue from early 2017.

The 13% year-on-year decline in the total customer base reflected the loss of price conscious low-ARPU pre-pay customers during the year, and included the effect of a number of major subscriber base clean-up initiatives during the year, including elimination of over 550,000 inactive pre-paid customers in the fourth quarter. Handset sales were broadly flat year-on-year.

Total fixed line revenue grew by 7.1% in the quarter, driven by growth of both residential and B2B. In the residential cable market we accelerated our HFC network build-out, passing 159,000 new homes in the quarter. Around 40,000 of these were existing copper homes passed, so that the total homes passed increased by 119,000 to almost 4.6 million. Residential cable ARPU increased in the quarter, reflecting price increases as well as the higher value RGU mix, with TV and Broadband growth more than offsetting weaker telephony.

Fixed line B2B revenue grew by almost 5.9% in the quarter, reflecting the impact of a number of new government contracts signed at the end of the third quarter.

EBITDA fell by 7.4% year-on-year in the quarter to $99 million, and the EBITDA margin reduced to 21.7% from 23.2% in the same period last year. This mainly reflected restructuring charges of around $23 million taken in the quarter. There was a small year-on-year increase in operating expenses in the quarter, due to an increase in promotional and retention activities, particularly in the higher-ARPU post-paid customer segment, which resulted in improved performance in the quarter.

On 1 January 2017 a new tax regime came into force in Colombia. This includes a general increase in VAT from 16% to 19%. In addition a 4% consumption tax already levied on mobile voice has been applied to mobile data. VAT has been reduced to zero for low-cost smartphones and tablets but increased from 16% to 19% for high-end devices. Corporate income taxes (including surcharges) are expected to reduce to 37% in 2018, from 40% currently. Mobile termination rates were reduced by 38% with effect from 1 January 2017 and the previous regime of asymmetrical rates ended. Further rate cuts are expected in March 2017.

Bolivia

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers ('000)	3,076	3,121	(1.4%)	3,076	3,121	(1.4%)
Total revenue (US$m)	138	140	(1.4%)	542	531	2.1%
Service revenue (US$m)	134	136	(0.8%)	525	511	2.7%
EBITDA (US$m)	59	53	10.3%	214	197	9.0%
EBITDA margin %	42.5%	38.0%	4.5pt	39.5%	37.0%	2.5pt

Strong growth of mobile data and fixed line revenue in the quarter could not offset the steep decline in voice and SMS revenue, and total service revenue fell by 0.8% in the quarter, compared to growth of 2.0% in the previous quarter. The reconfiguration of our mobile revenue accelerated in Bolivia in the fourth quarter, with the rate of growth of mobile data revenue and the rate of decline in voice and SMS both greater than in the third quarter. As a result, in the fourth quarter mobile data revenue was higher than voice and SMS revenue, the first of our markets where this inflection has occurred.

Mobile data growth was driven by the addition of almost 300,000 smartphone data users in the quarter and by higher data ARPU. Around half of our smartphone data user net additions were new 4G customers, with the 4G base growing to around 840,000 at the end of the quarter.

Our HFC roll-out continued, with another 58,000 homes passed in the quarter, and HFC accounting for around 60% of our total fixed network footprint, compared to around 34% at the end of the fourth quarter of 2015. Our fixed line revenue remains small relative to mobile but is growing rapidly, in both the home and B2B markets.

EBITDA grew by 10.3% year-on-year in the quarter, to $59 million. This was mainly driven by a fall in operating expenses, a significant contributor to which was the non-recurrence of the second annual Christmas bonus for employees legally mandated in 2015. As a result the EBITDA margin in the quarter improved substantially to 42.5%, from 38.0% in the same quarter last year.

Paraguay

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers ('000)	3,635	3,936	(7.6%)	3,635	3,936	(7.6%)
Total revenue (US$m)	146	159	(7.5%)	623	673	1.3%
Service revenue (US$m)	146	144	2.1%	583	610	4.6%
EBITDA (US$m)	67	71	(4.8%)	289	305	3.6%
EBITDA margin %	45.9%	44.5%	1.4pt	46.4%	45.3%	1.0pt

Paraguay delivered continuing service revenue growth in the quarter, with strong cable and mobile data revenue more than offsetting the continuing decline in mobile voice and SMS.   Mobile data growth was driven by growth in the number of smartphone data users, who accounted for more than half of the total customer base at the end of the quarter.

We launched 4G in the first half of the year and saw growth of the base accelerate through the year. At the end of the fourth quarter we had around 280,000 4G users, with ARPU almost three times as high as for data customers overall.

However mobile data revenue growth in the quarter was held back significantly by a regulatory change allowing customers to roll over their unused data balances at the end of a month, rather than losing these. This resulted in a one-off charge of almost $7 million in the quarter and significantly reduced the mobile data growth rate.

The negative net additions of 117,000 in the quarter was due to the elimination of around 150,000 inactive customers from the base, offsetting the addition of around 33,000 net new active customers.

The substantial fall in non-service revenue in the quarter was due to a reassessment of handset instalment payments, which resulted in a reversal of previously recognised handset revenue in the fourth quarter and a subsequent reclassification of some handset revenue to service revenue.

Cable revenues increased by nearly 12% year-on-year, with a good performance in both the B2B and residential sectors, the latter driven by both steady subscriber growth and higher ARPU

The fall in EBITDA in the quarter reflected the impact both of the reversal of the handset revenue and of the data roll-over changes mentioned above. Excluding these two items the underlying EBITDA growth and margin performance in the quarter was in line with the performance reported for the full-year, which saw EBITDA growth of 3.6% and a margin of 46.4% compared to 45.3% in the full year 2015.

Costa Rica

Our fixed line business in Costa Rica saw slightly lower revenue in the fourth quarter, with the loss of a significant B2B wholesale contract more than offsetting ARPU-driven growth in the residential sector. This contract also reduced EBITDA, but the EBITDA margin improved in the quarter, in line with the year-on-year upward trend seen in the previous three quarters.

Guatemala

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers (‘000)	9,468	8,798	7.6%	9,468	8,798	7.6%
Total revenue (US$m)	330	340	(4.7%)	1,284	1,306	(2.2%)
Service revenue (US$m)	290	296	(3.9%)	1,143	1,156	(1.7%)
EBITDA (US$m)	163	154	3.9%	631	651	(3.7%)
EBITDA margin %	49.3%	45.2%	4.1pt	49.2%	49.9%	(0.7pt)

Service revenue in Guatemala fell by 3.9% in the quarter, a slower rate of reduction than reported in the third quarter, and including the impact of our ceasing to recognise revenue from a government surveillance camera contract. Excluding this one-off item, service revenue would have declined by 1.5% in the quarter, with very strong growth in mobile data more than offsetting the fall in voice and SMS revenue and declining incoming international revenue.

We launched 4G at the start of 2016 and by the end of the year had grown the 4G base to almost 1.16 million customers, making up almost 40% of the total base of smartphone data users and generating ARPU substantially more than double that of data ARPU overall.

Our residential cable business in Guatemala remains small in comparison to our mobile business but our HFC network roll-out accelerated rapidly in the fourth quarter, with more new homes passed, new homes connected and a faster rate of RGU growth than in the any of the previous three quarters in 2017.

EBITDA increased by 3.9% year-on-year and the margin improved to 49.3% from 45.2% in the same quarter of 2015. However the year-on-year margin comparison reflects the substantial bad debt provision in respect of the surveillance contract which reduced the EBITDA margin in the fourth quarter by 4.6 percentage points.

Honduras

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers ('000)	4,848	4,846	0.0%	4,848	4,846	0.0%
Total revenue (US$m)	150	161	(2.4%)	609	649	(2.5%)
Service revenue (US$m)	145	153	(0.7%)	585	617	(1.3%)
EBITDA (US$m)	65	67	2.0%	256	274	(2.6%)
EBITDA margin %	43.6%	41.7%	1.9pt	42.1%	42.2%	(0.1pt)

Service revenue declined by 0.7% on the quarter, driven by lower voice and SMS revenue partially offset by growth of mobile data and cable revenue. The total mobile customer base was unchanged year-on-year but 237,000 smartphone data users were added in the fourth quarter, of which 74,000 were 4G customers.

Voice and SMS usage and ARPU held up better in Honduras than in the other Latam markets but data usage per customer remained below the average for Latam in the fourth quarter, although growing steadily through the year, as the launch of 4G brought greater focus on the data market opportunity.

The cable business remains small relative to the mobile business but saw significant growth in revenue in the quarter, driven mainly by residential cable ARPU growth and the expansion of the B2B customer base.

EBITDA grew by 2.0% organically and the EBITDA margin expanded by 2 percentage points to 43.6%, mainly reflecting lower operating costs in the quarter compared to the same period in 2015.

El Salvador

	Q4 2016	Q4 2015	*Organic YOY change*	FY 2016	FY 2015	Organic YOY change
Mobile customers ('000)	3,213	2,958	8.6%	3,213	2,958	8.6%
Total revenue (US$m)	106	115	(7.4%)	426	450	(5.3%)
Service revenue (US$m)	97	106	(8.7%)	400	420	(4.7%)
EBITDA (US$m)	32	43	(25.6%)	148	169	(12.3%)
EBITDA margin %	29.9%	37.2%	(7.3pt)	34.7%	37.5%	(2.8pt)

Our performance in El Salvador continued to be affected by the impact of the CESC security tax, the regulatory requirement to block mobile signals around the country's prisons - which reduced network overall mobile capacity by around 10% - and the generally difficult operating conditions.

All of these factors contributed to the decline in service revenue and the substantial reduction in EBITDA and the EBITDA margin in the quarter.

In the context of this challenging operating environment the business made progress implementing the reconfiguration strategy. Mobile data growth was driven by the addition of more than 100,000 smartphone data users, including the first 4G customers in El Salvador, following the successful launch of 4G services at the beginning of December.

Africa

Financial & operating data

All numbers are organic stated in local currency and constant perimeter. Further details are provided in the Financial & Operational Data excel file on our website (www.millicom.com/investors)

KPI ('000)	Q4 & FY 2016	Q4 & FY 2015	*YOY change*
Mobile customers	25,407	24,681	2.9%
Of which:			
Chad	3,132	2,981	5.1%
Ghana	3,933	4,086	(3.7%)
Rwanda	2,966	2,775	6.9%
Senegal	3,646	3,039	20.0%
Tanzania	10,743	10,430	3.0%
Zantel	988	1,371	(28.0%)
Of which : MFS customers	8,078	6,828	18.3%

Financial	Q4 2016	Q4 2015	*Organic YOY*	FY 2016	FY 2015	Organic *YOY*
Mobile ARPU (US$)	2.5	2.6	(0.1%)	2.5	2.7	(0.5%)
Mobile data ARPU (US$)	1.4	1.4	0.2%	1.4	1.3	12.0%
Total Revenue (US$m)	229	217	7.8%	896	829	9.6%
Service revenue (US$m)	228	214	9.1%	889	816	10.5%
EBITDA (US$m)	74	27	138.0%	258	184	39.2%
EBITDA margin %	32.4%	12.3%	20.1pt	28.7%	22.1%	7.3pt
Capex[a] (US$m)	73	89	(17.5%)	160	218	(27.2%)

Strategic developments

On 7 February we announced the sale of our business in Senegal for $129 million, representing a multiple of 6.3 times 2016 EBITDA. The transaction is subject to regulatory approval. We have also announced our intention to sell a 22% stake in Helios Towers Africa, one of the leading tower companies in Africa, and we are exploring a number of strategic options for our business in Ghana.

In Tanzania, an amendment to the Electronic and Postal Communications Act in the Finance Act of 2016 required all licensed telecoms operators to list their shares on the Dar es Salaam Stock Exchange. We are therefore in the process of preparing Tigo Tanzania for an IPO.

Mobile Operations

We ended the fourth quarter with 25.4 million mobile subscribers in Africa, up 3% year-on-year but down almost 150,000 subscribers in the quarter, mainly due to the impact of SIM electronic registration requirements in Tanzania and Ghana, partially offset by customer net additions in all of our other markets. We added 123,000 mobile data users in the quarter and ended the period with a total of 6.9 million mobile data customers. Smartphone penetration reached 22%, up 1.2 points in the quarter and 6.7 points ahead of the end of 2015. Total ARPU and mobile data ARPU were both broadly flat year-on-year.

a Capex excludes spectrum and license costs

We continued to expand our presence in the B2B market, expanding our range of services and winning contracts in the public sector in several of our markets, as well as with major companies.

MFS

In MFS we reached 8.1 million subscribers, 18.3% up year on year with MFS ARPU broadly flat in the quarter. The number of MFS transactions in the fourth quarter increased by 27.7% year-on-year.

Financials

Q4 summary

Total revenue in Africa in the fourth quarter grew 7.8% on an organic basis to $229 million. Organic service revenue grew 9.1% to $228 million, up from $214 million in Q4 2016, continuing the trends we have seen in earlier quarters in the year.

Mobile continues to grow, up 7.3%, led by resilient voice and SMS growth of 4.0% despite strong competition in Tanzania and Ghana. Mobile data revenue grew by 28.3% on an organic basis, reflecting the growth in the number of mobile data customers. B2B revenue also grew strongly, up by 9.5% in the quarter.

We saw strong growth in EBITDA, up to $74 million or 138% compared to the fourth quarter of 2015 (when we reported one-offs in Africa of $19 million), while the EBITDA margin improved by 20.1 percentage points year-on-year, to 32.4%. This reflected both the growth in service revenue and effective control of operating costs, which fell by 7.2% year-on-year in the quarter.

Capital expenditure in the quarter was $73 million, with investment focused primarily on network expansion. As a result both of our EBITDA growth and capex control across our African businesses, OCF in the region (EBITDA less capital expenditure) was $1.2 million in the quarter, in line with our ambition to deliver OCF breakeven.

Full-year summary

For the full year 2016, revenue in Africa is up 9.6% organically, mainly coming from mobile service revenue which grew by 10.5%. Our subscriber base increased by 2.9% or 725,000 net adds in the year while the mobile data subscriber base grew by 26.3% or 1.4 million users, with smartphone penetration increasing to 22%, from around 15% at the start of the year.

B2B revenue almost doubled, with growth in both public and private sector contracts, driven by our network and data centre investments, local partnerships and expanded distribution channels. MFS subscribers are up 18.3% or 1.3 million new users in the mobile wallet ecosystem.

EBITDA reached $258 million, up 39.2%, while EBITDA margin improved from 22.1% to 28.7%. Capex for the year was $160 million, down $58 million compared to 2015. There were no new investments in spectrum or licenses in Africa during 2016.

As a result of both focus on profitable growth, discipline on cost and expenses and a careful investment program OCF improved from an outflow of $34 million in 2015 to positive $97 million in 2016, a swing of almost $132 million.

Corporate Responsibility (CR) highlights – Q4 2016

Millicom continues to improve its environmental performance, with our B-level rating well-above the industry average on CDP's climate change survey. We also achieved ISO 14001 certification for our corporate offices, and are working towards certification across our data centres and critical sites in all our operations.

Industry leading partnership with UNICEF on prevention of violence against children deepens

Millicom announced we will expand our industry leading partnership with UNICEF to provide further support for prevention of violence against children in El Salvador, Guatemala and Honduras. Under the new agreement, Millicom will support UNICEF by providing technical support and capacity-building for helplines that address violence and crimes against youth. The support includes training and materials for the helplines to be able to address online crimes such as sexting, grooming and cyber-bullying, in addition to the support and advice they provide to young people experiencing violence in the real world.

We also conducted a child rights impact assessment in our operations in El Salvador, using the industry tool we jointly developed with UNICEF. This takes the total number of assessments we conducted across Millicom operations to five.

Stakeholder engagement in key areas of child protection, and privacy and freedom of expression

Building on the success of our previous workshops in six of our operations, in October 2016 we hosted the First Lady of Honduras, the Lady Lee Foundation, UNICEF, GSMA, International Center for Missing and Exploited Children, INHOPE, Plan International and industry peers for a Child Online Protection summit in Honduras. Following this workshop, CONATEL - the telecommunications regulator in Honduras, GSMA and all operators agreed to promote educational campaigns. Additionally, a workgroup was created to discuss the Legal Framework for the planned Law on Cybercrime with the full support of the National Congress and the National Directorate on Children, Adolescence and Family.

In October, we presented at a number of panels at the 6th annual meeting of the inter-governmental Freedom Online Coalition (FOC), which brought together a group of leading stakeholders to discuss the challenges and opportunities around free, open and accessible online channels and platforms for political, social and economic development.

Health, safety and security

Millicom and its subsidiaries maintained no further fatalities or significant losses in Q4 2016. Millicom corporate offices and Tigo Honduras achieved certification in business continuity management (BCM) against the world-leading ISO 22301 standard. Following our internal audit and self-assessments against our internal control manual, areas of physical security, health and safety, and BCM were marked as one the most improved functional areas of control within the business during 2016.

Compliance and anti-corruption programme

Mandatory e-learning courses on the Millicom Code of Conduct and Anti-Bribery and Anti-Corruption (ABAC) Policy continue to be rolled out across all company locations. Following the annual conflict of interest disclosure campaigns and disclosures review, we conducted assessments of each operation's submissions and implemented any mitigating actions where required.

Additional Information

Alternative Performance Measures ('APMs')

In the front section of the Group's Annual Report, APMs are used to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. These measures are usually used for internal performance reporting and in defining director and management remuneration. They are useful in connection with discussion with the investment analyst community. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Definitions, use and reconciliations to the closest IFRS measures are presented in the table below and on the following pages.

APMs	Descriptions
Management reporting	The financial information presented in the front section of this Annual Report is with Guatemala (55% owned) and Honduras (66.7% owned) as if fully consolidated, while the Group equity accounts those operations in the IFRS consolidated financial statements. See next pages for reconciliation with IFRS numbers.
Service, mobile data and cable revenue	• Service revenue is Group revenue related to the provision of ongoing services such as monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services excluding telephone and equipment sales; • Mobile data revenue is Group revenue related to the provision of data for smartphone users. Mobile data revenue is included in Service revenue; • Cable revenue is Group revenue related to the provision of cable services such as broadband internet and TV. Cable revenue is included in Service revenue.
Organic growth	Organic growth represents year-on year-growth in local currency (includes regulatory changes) and constant perimeter. See next pages for reconciliation with reported numbers.
Operating profit	Operating profit is profit before taxes before results from associates, other non-operating expenses (such as foreign exchange losses and changes in fair value of derivatives) and net financial expenses.
EBITDA	EBITDA is operating profit excluding impairment losses, depreciation and amortization and gains/losses on the disposal of fixed assets.
Adjusted EBITDA	Adjusted EBITDA is EBITDA excluding one-off items such as restructuring charges, provisions for litigations, tax provisions or settlements being made relating to prior periods and other exceptional items that have materially impacted trading results that we do not expect to be recurring.
Adjusted net profit	Adjusted net profit is net profit adjusted for non-operating items such as foreign exchange gains/losses, changes in fair value of derivatives, early redemption premium for debts and other financing, dilution gains and impairments on investments in associates and similar items classified under 'other non-operating income (expenses)' as well as excluding results from discontinued operations.
Adjusted EPS	Adjusted EPS is computed based on adjusted net profit divided by the number of shares outstanding

Return on Invested Capital	Return on Invested Capital is used to assess the Group's efficiency at allocating the capital under its control to profitable investments.
Net debt	Net debt is Gross debt (including finance leases) less cash, restricted cash and pledged deposits
Capex measures	• Capex is balance sheet capital expenditure excluding spectrum and license costs. • Cash Capex represents the cash spent in relation to capital expenditure, excluding spectrum and licenses
Cash flow measures	• Operating Cash Flow is EBITDA less capex (excluding spectrum and license costs); • Operating Free Cash Flow is Operating Cash Flow less change in working capital and other non-cash items and taxes paid; • Equity Free Cash Flow is Operating Cash Flow less taxes paid, interest paid (net) and advances for dividends to non-controlling interests. These measures allow us and third parties to evaluate our liquidity and the cash generated by our operations

Organic growth adjustments

Group Revenue	Q4 16	Q4 15	12M 16	12M 15
Prior period	1,636	1,821	6,572	6,251
Current period	1,594	1,636	6,249	6,572
Reported Growth	(2.6%)	(10.2%)	(4.9%)	5.1%
Local currency growth	(2.1%)	4.4%	(0.4%)	7.3%
Change in Perimeter impact	-	0.5%	-	8.3%
FX impact	(0.4%)	(15.1%)	(4.5%)	(10.5%)

Group Service Revenue	Q4 16	Q4 15	12M 16	12M 15
Prior period	1,505	1,647	6,056	5,775
Current period	1,484	1,505	5,855	6,056
Reported Growth	(1.4%)	(8.6%)	(3.3%)	4.9%
Local currency growth	(0.9%)	6.2%	1.2%	5.8%
Change in Perimeter impact	-	0.5%	-	9.0%
FX impact	(0.5%)	(15.3%)	(4.5%)	(10.0%)

Group EBITDA	Q4 16	Q4 15	12M 16	12M 15
Prior period	549	603	2,227	2,109
Current period	566	549	2,225	2,227
Reported Growth	3.1%	(9.0%)	(0.1%)	5.6%
Local currency growth	1.4%	3.0%	4.3%	9.0%
Change in Perimeter impact	-	-0.5%	-	9.6%
FX impact	1.7%	(11.4%)	(4.4%)	(13.1%)

Adjusted earnings per share

US$m	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15		FY 16	FY 15
Net profit attributable to owners of the company	**(143)**	**24**	**44**	**43**	**(426)**		**(32)**	**(559)**
Basic earnings per share ($)	(1.42)	0.24	0.44	0.42	(4.26)		(0.32)	(5.59)
Adjustments for non-operating items	**182**	**(16)**	**(40)**	**(21)**	**430**		**105**	**646**
Adjusted net profit attributable to owners of the company	**39**	**8**	**4**	**22**	**4**		**73**	**87**
Adjusted basis earnings per share ($)	0.39	0.08	0.04	0.22	0.04		0.73	0.87

Foreign Exchange rates

Average foreign exchange rate (vs. USD)		Q4 16	Q3 16	Var %	Q4 15	Var %
Guatemala	GTQ	7.5	7.6	0.7%	7.6	1.7%
Honduras	HNL	23.3	23.0	(1.6%)	22.2	(5.0%)
Costa Rica	CRC	559.6	556.8	(0.5%)	541.3	(3.4%)
Bolivia	BOB	6.91	6.91	0.0%	6.91	0.0%
Colombia	COP	3,003	2,953	(1.7%)	3,068	2.1%
Paraguay	PYG	5,721	5,554	(3.0%)	5,690	(0.6%)
Ghana	GHS	4.0	3.9	(2.4%)	3.8	(7.0%)
Senegal / Chad	XAF	610.6	594.6	(2.7%)	605.2	(0.9%)
Rwanda	RWF	815.2	798.5	(2.1%)	739.0	(10.3%)
Tanzania	TZS	2,182	2,187	0.2%	2,163	(0.9%)

Closing foreign exchange rate (vs. USD)		Dec-16	Sep-16	Var %	Dec-15	Var %
Guatemala	GTQ	7.5	7.5	0.0%	7.6	1.4%
Honduras	HNL	23.6	23.1	(2.1%)	22.4	(5.2%)
Costa Rica	CRC	561.1	558.8	(0.4%)	544.9	(3.0%)
Bolivia	BOB	6.91	6.91	0.0%	6.91	0.0%
Colombia	COP	3,001	2,880	(4.2%)	3,149	4.7%
Paraguay	PYG	5,767	5,555	(3.8%)	5,807	0.7%
Ghana	GHS	4.2	4.0	(5.8%)	3.8	(10.7%)
Senegal / Chad	XAF	626.1	590.9	(6.0%)	610.0	(2.7%)
Rwanda	RWF	819.8	810.2	(1.2%)	747.4	(9.7%)
Tanzania	TZS	2,181	2,182	0.0%	2,159	(1.0%)

P&L reconciliation with Guatemala and Honduras as if fully consolidated vs. IFRS (unaudited)

As previously noted, the table reconciles the Management reporting numbers which include Guatemala and Honduras on a 100% consolidation basis with the IFRS numbers which account for these businesses as joint ventures using the equity method.

$ million	Q4 16 (i)	Guatemala and Honduras	JV	Q4 16 IFRS
Revenue	**1,594**	**(475)**		**1,119**
Cost of sales	(420)	91		(330)
Gross profit	**1,174**	**(385)**		**789**
Operating expenses	(637)	164		(473)
EBITDA	**536**	**(220)**		**316**
EBITDA margin	**33.65%**	**46.38%**		**28.24%**
Depreciation & amortisation	(416)	175		(241)
Share of net profit in joint ventures	-	-	12	12
Other operating income (expenses), net	(40)	22		(18)
Operating profit	**81**	**(24)**	**12**	**69**
Net financial expenses	(130)	23		(107)
Other non-operating income (expenses), net	(50)	8		(42)
Gains (losses) from associates	(51)	-		(51)
Profit (loss) before tax	**(150)**	**7**	**12**	**(131)**
Net tax credit (charge)	(66)	(3)		(68)
Profit (loss) for the period	**(216)**	**5**	**12**	**(199)**
Profit (loss) from discontinued operations	1	-		1
Non-controlling interests	73	(17)		56
Net profit (loss) for the period	**(143)**	**(12)**	**12**	**(143)**

$ million	FY 16 (i)	Guatemala and Honduras	JV	FY 16 IFRS
Revenue	**6,249**	**(1,875)**		**4,374**
Cost of sales	(1,655)	376		(1,279)
Gross profit	**4,594**	**(1,498)**		**3,096**
Operating expenses	(2,422)	641		(1,781)
EBITDA	**2,172**	**(858)**		**1,314**
EBITDA margin	**34.76%**	**45.75%**		**30.04%**
Depreciation & amortisation	(1,368)	440		(928)
Share of net profit in joint ventures	-	-	115	115
Other operating income (expenses), net	(43)	24		(20)
Operating profit	**761**	**(394)**	**115**	**482**
Net financial expenses	(472)	100		(372)
Other non-operating income (expenses), net	(1)	11		10
Gains (losses) from associates	(49)	-		(49)
Profit (loss) before tax	**239**	**(283)**	**115**	**71**
Net tax credit (charge)	(251)	72		(180)
Profit (loss) for the period	**(13)**	**(212)**	**115**	**(109)**
Profit (loss) from discontinued operations	19	-		19
Non-controlling interests	(38)	96		58
Net profit (loss) for the period	**(32)**	**(115)**	**115**	**(32)**

(i) Management reporting as if the Honduran and Guatemalan businesses continue to be fully consolidated.

Consolidated balance sheet (unaudited)

US$ millions	31 December 2016 (i)	IFRS adjustments (ii)	31 December 2016 (i)
ASSETS			
Intangible assets, net	4,618	(3,259)	1,359
Property, plant and equipment, net	4,205	(1,148)	3,057
Investments in joint ventures and associates	331	2,945	3,275
Other non-current assets	281	(11)	270
TOTAL NON-CURRENT ASSETS	**9,434**	**(1,473)**	**7,961**
Inventories, net	82	(20)	62
Trade receivables, net	481	(94)	387
Other current assets	779	(358)	422
Restricted cash	156	(11)	145
Cash and cash equivalents	947	(301)	646
TOTAL CURRENT ASSETS	**2,445**	**(784)**	**1,661**
Assets held for sale	5	0	5
TOTAL ASSETS	**11,884**	**(2,257)**	**9,627**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company	2,976	191	3,167
Non-controlling interests	1,095	(894)	201
TOTAL EQUITY	**4,071**	**(703)**	**3,368**
Debt and financing	5,147	(1,327)	3,821
Other non-current liabilities	595	78	540
TOTAL NON-CURRENT LIABILITIES	**5,742**	**(1,249)**	**4,361**
Debt and financing	143	(63)	80
Other current liabilities	1,928	(242)	1,818
TOTAL CURRENT LIABILITIES	**2,070**	**(305)**	**1,898**
Liabilities directly associated with assets held for sale	-	-	-
TOTAL LIABILITIES	**7,812**	**(1,554)**	**6,258**
TOTAL EQUITY AND LIABILITIES	**11,884**	**(2,257)**	**9,627**

(i) Management reporting as if the Honduran and Guatemalan businesses continue to be fully consolidated.

(ii) IFRS adjustments result from the deconsolidation of the Guatemala and Honduras businesses and their reclassification as joint venture

Consolidated statement of cash flows (unaudited)

US$ millions	FY 2016 (i)	IFRS adjustments (ii)	FY 2016 IFRS
Profit (loss) before taxes from continuing operations	**239**	**(168)**	**71**
Profit (loss) for the period from discontinued operations	13	0	13
Profit (loss) before taxes	**251**	**(168)**	**83**
Net cash provided by operating activities (incl. discops)	**1,476**	**(598)**	**878**
Net cash used in investing activities (incl. discops)	**(936)**	**385**	**(552)**
Net cash from (used by) financing activities (incl. discops)	**(521)**	**80**	**(441)**
Exchange impact on cash and cash equivalents, net	(8)	(0)	(8)
Net (decrease) increase in cash and cash equivalents	**10**	**(133)**	**(123)**
Cash and cash equivalents at the beginning of the year	937	(168)	769
Cash and cash equivalents at the end of the period	**947**	**(301)**	**646**

(i) Management reporting as if the Honduran and Guatemalan businesses continue to be fully consolidated

(ii) IFRS adjustments result from the deconsolidation of the Guatemala and Honduras businesses and their reclassification as joint ventures