Creating digital communities

MILLICOM
THE DIGITAL LIFESTYLE

Creating digital communities

We are a leading telecommunication and media company focused on emerging markets. We operate in 13 countries across Latin America and Africa. A young population and a growing middle class provide huge opportunities for us to deliver The Digital Lifestyle™.

We are building world-class mobile, mobile data and cable technology for our customers. We build responsibly and profitably for investors and we are creating the digital innovation to support the communities where we operate.

Integrated reporting

This year we are publishing our first integrated Annual Report that brings together our corporate responsibility and annual reports. It is a natural evolution for us that 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 and is a key element of building trust with our shareholders and wider stakeholders.

Millicom at a glance

We provide fixed and mobile communications services, cable and satellite TV, Mobile Financial Services (MFS) and local content, such as music and sports, to more than 57 million customers via our main consumer brand TIGO®.

At TIGO BUSINESS™, we deliver digital solutions for governments, multinationals, large corporations and small and medium sized businesses.

Our mission is to lead the adoption of The Digital Lifestyle™ in our markets and, by doing this, we will empower customers, employees, partners, communities and societies to advance in life and find joy.

MILLICOM
THE DIGITAL LIFESTYLE

tigo

Mobile

Mobile data
Voice
SMS
Mobile Financial Services

tigo Shop | Mi tigo | tigo money

Home

PayTV
Broadband internet
Direct-To-Home (DTH) TV

tigo MUSIC | tigo SPORTS

Business (B2B)

Fixed & mobile solutions
Data centers
Cloud services
M2M
Other services

tigo business

Revenue split by region:

86% Latin America

14% Africa

What we do in Latin America

Bolivia, El Salvador, Guatemala, Honduras, Paraguay	Mobile, B2B, Home, MFS
Colombia	Mobile, B2B, Home
Costa Rica	Home, B2B
Nicaragua	B2B

What we do in Africa

Chad, Ghana, Rwanda, Senegal, Tanzania	Mobile, B2B, MFS

Millicom at a glance – continued

Our year in numbers[1]

The following dashboards highlight the year's key figures across financial, operational and corporate responsibility.

Revenue US$m
-0.4% organic growth[2]
2016 US$6,249m 2015 US$6,572m

Adjusted EBITDA margin[2] US$m
35.6%
2016 US$2,225m

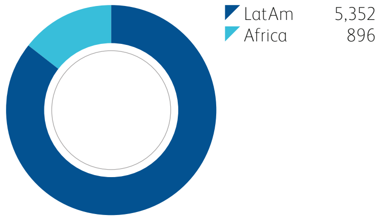
Home as a % of LatAm revenue
18.7% all technologies
2016 US$1,002m 2015 US$983m

Mobile data users[3]
36.0% penetration rate
2016 21.0m 2015 18.0m

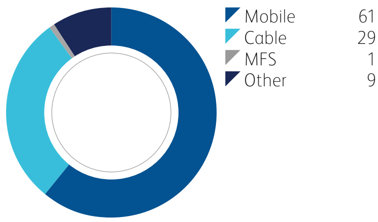
OCF growth (EBITDA – Capex)[2] US$m
22.7%
2016 US$1,141m 2015 US$930m

ROIC[2] % excluding corporate
16.0%
2016 16.0% 2015 15.5%

Revenue US$m



LatAm business unit revenue split
%



Employees[4]
17,985 Read more on our people
see pages 21-22

Women in senior management
29% Read more on diversity
see pages 74-75

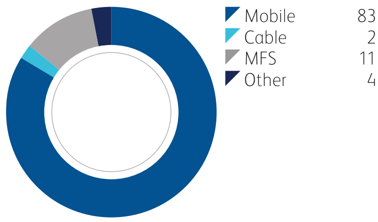
Senior managers recruited locally
86% Read more on our people
see pages 21-22

Employees who have acknowledged the Code of Conduct
81% Read more on compliance
see pages 67-69

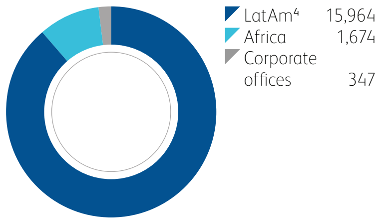
Absolute reduction in carbon emissions
8% Read more on reducing our environmental footprint
see pages 70-73

Strategic suppliers who signed the Supplier Code of Conduct
79% Read more on responsible supply chain management
see pages 78-79

Africa business unit revenue split
%



Employees by region



Footnotes:
1 Guatemala and Honduras businesses fully consolidated. See 'Additional information' on pages 197 to 200 for reconciliation with IFRS numbers. The comparative 2015 financial information has been re-presented as a result of the classification of our operations in DRC as discontinued operations (in accordance with IFRS 5).
2 Alternative performance measures used in this Annual report are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. It should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Additional information" on pages 197 to 200 for definitions and reconciliations to the closest respective equivalent IFRS measures.
3 Penetration rate calculated as Mobile Data subscribers divided by Total Mobile Subscribers
4 Including Tigo Nicaragua. Emtelco headcount are excluded from this report and any internal reporting because their costs are classified as direct costs and not employee related costs.

Market overview

We are dedicated to emerging markets and committed to building on our success in bringing The Digital Lifestyle™ to our customers in these markets. We see exciting opportunities to continue growing together with the economies and markets that we operate in.

Underpinning our strategy is the knowledge that we operate in a fast-moving, continuously changing industry.

Millicom plays a leading role in connecting people who previously have had no access to the internet, either fixed or mobile. We are enabling them to move swiftly from mainly voice-call and text messaging based services towards new communications primarily based on data, so they can use the internet and access social media while on the move, download and upload photos and videos from their mobile devices, download and play games, and utilize the enormous range of specialist consumer and business applications that can now be accessed at any time and from anywhere.

In the residential market, the range of fixed-line services that customers demand is expanding rapidly beyond telephony and the traditional linear TV viewing model, into a world of high-speed broadband, with all of the two-way capabilities and vast array of information and services on offer.

Market overview – continued

For businesses, both large and small, commercial success increasingly depends on being connected – offering online distribution and sales channels, enabling web-based customer communications and service, and operating business-critical functions in the cloud.

New research by Oxford Economics forecasts that the middle class in our markets will grow by around 5% per annum over the next ten years. This will drive a major increase in demand for digital products and services.

For example, Cisco's latest index forecasts predict internet traffic growth of more than 5% year-on-year in Latin America between now and 2020, with customers expected to triple the time they spend on mobile devices.

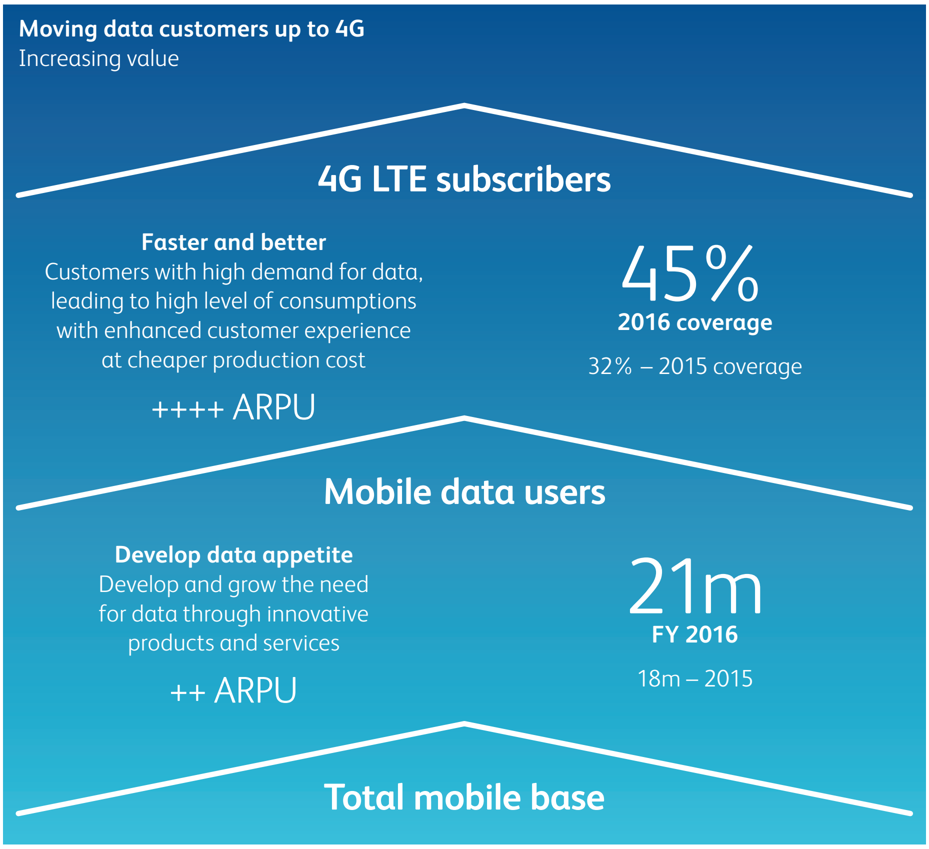
As well as wanting more data, consumers and businesses will increasingly expect the same services to be delivered through all of their terminals and devices, blurring the distinction between fixed-line and mobile data services.

To enable this convergence of fixed and mobile products, we are rapidly expanding our state-of-the-art fixed networks in Latin America, and increasing our broadband and PayTV footprint. We have also created strategic partnerships with a number of global and local digital players to provide relevant content for our customers, including sports, movies and music.

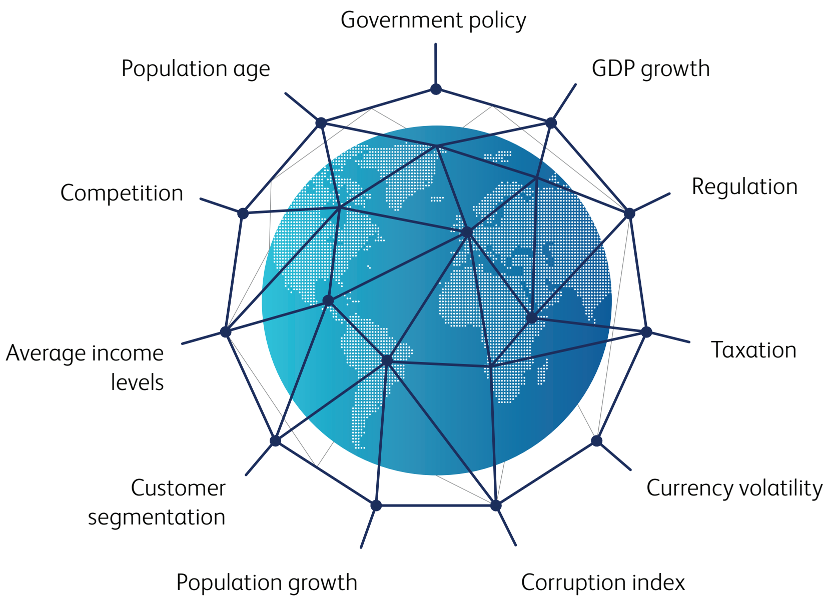
Our work to expand our 4G mobile network, increase smartphone penetration and grow new mobile data and digital revenue streams, is also capitalizing on the rapid adoption of data services.

We have seen a decline in Voice and SMS services, which had an impact on revenues in our Latin American markets. However, our strategy is built around this evolution of data and is fully focused on exploiting the new opportunities presented by the rapid growth of data services.

Read more about our strategy
see pages 13-24



Our market forces



Market overview – continued

Understanding the macro-economic drivers in Latin America

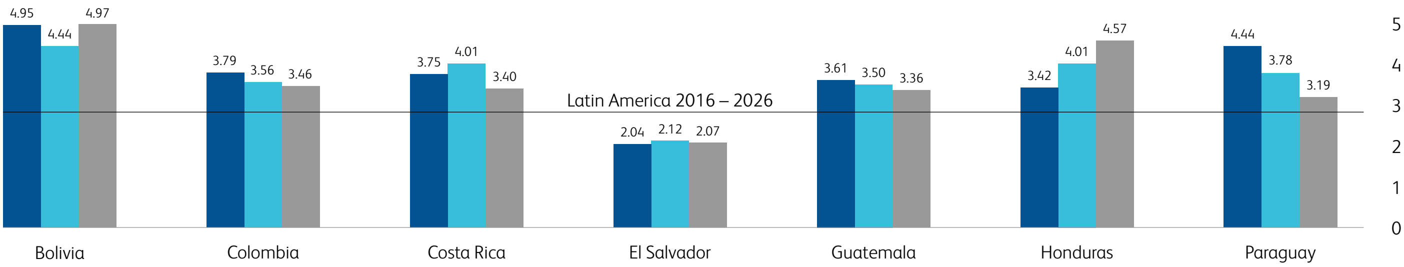
In 2016, Millicom commissioned Oxford Economics, a leading macro-economic forecaster, to provide a long range review of the growth prospects and economic environments in each of our markets.

Read more here

OXFORD ECONOMICS

GDP

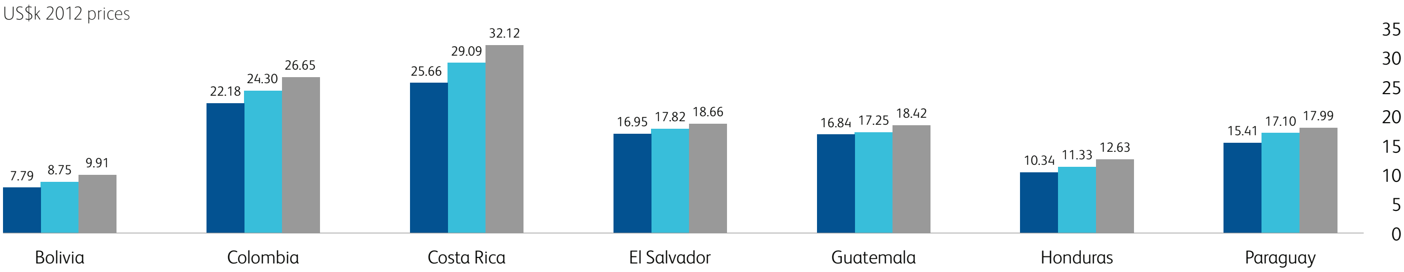
CAGR %



2011–2016 2016–2021 2021–2026
Source: Oxford Economics

Average household disposable income

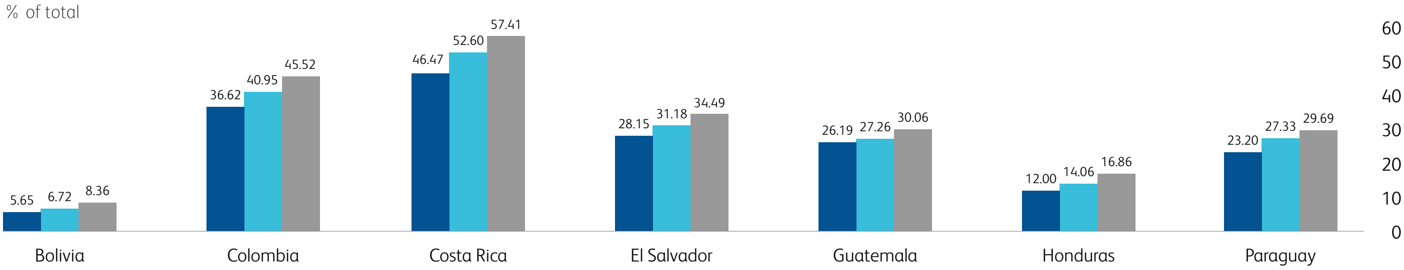
US$k 2012 prices



2016 2021 2026
Source: Oxford Economics

Households with income >$20k

% of total



2016 2021 2026
Source: Oxford Economics/Control Risk

Market overview – continued

Commodity prices and foreign exchange rates have continued to influence our markets. Other challenges have included managing development in areas of poor security, weak infrastructure, and evolving regulatory requirements. For more detail, see page 45 Regional Review.

The need for differentiation

Competition has become tougher in some of our markets. Here, we have sought to maintain our competitive position by focusing on providing innovative offers across fast, reliable networks, and by leading on significant positive initiatives that reflect our commitment to sustainability and to acting ethically at all times.

Our customer is front and center of everything we do. Our aim is to provide an efficient, first-time-right service that delivers real value.

By building partnerships with major global content developers, we are able to connect our customers to a near-limitless world of audio, video and other online media. By continuing to innovate with our platforms, developing our services and expanding our infrastructure, we can offer better ways to work, shop and play.

This connectivity and the surge in the use of smart devices will continue to open up access to services.

Focused on convergence

Where the convergence of mobile and fixed networks was once largely focused on Voice, over the past few years it has rapidly expanded to include the internet and entertainment. All now must be seamlessly connected at work and at home.

Millicom is building this convergence, often leading the way in terms of access and technology.

As well as improving and expanding our fixed network, we have also invested in building a number of data centers to consolidate and grow our B2B sector. Our cloud technology is already helping to support a diverse range of small and medium-sized businesses, large national corporations, governments and multinationals in our markets.

And through our partnerships with other global businesses, such as Microsoft, we are able to offer best-in-class solutions.

Engaging with regulatory authorities

In much of our footprint, regulation around telecom and digital services – as well as the legal and tax environment – is continuously evolving, creating a level of uncertainty. Issues such as cybersecurity, data privacy, and spectrum allocation are the subject of increasing regulations by policy makers.

Because we believe regulation must strike a balance between investment stimulation and consumer benefit, we take an active role in working closely with governments and policy-making bodies to drive best practice.

Acting responsibly

Our markets and customers are increasingly interested in how we do business and deliver wider value to our communities.

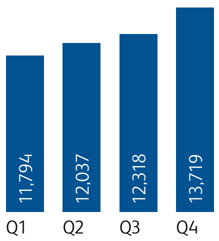
It is Millicom's objective to be a responsible agent for positive change wherever we operate. Being a responsible business is not only the right thing to do, it is central to managing risks in our operating environment and to strengthening trust with customers, investors, employees and other stakeholders.

Our partnership with UNICEF on child online protection and our work on privacy and freedom of expression are fundamental to our corporate responsibility aims, as is our investment in the communities in which we work.

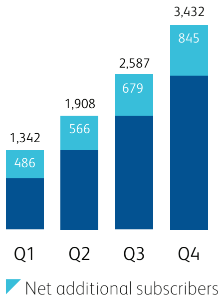
You can read more about our approach and the eight key corporate responsibility issues in Corporate Responsibility Performance Review starting on page 60.

Our customers: moving up the value ladder

Total data subscribers '000



Total 4G subscribers growth '000



Market trends in Latin America and Africa

Latin America

The markets where we operate have higher medium-term growth outlooks than the LatAm average.

Costa Rica, Colombia, El Salvador, Guatemala and Paraguay are all expected to have average household incomes approaching or above US$20,000 within the next ten years, helping to fuel the growth of the middle class and greater purchasing power.

However, overall GDP growth has slowed in most Latin American countries as the region has been buffeted by weak commodity prices, with many countries having limited scope for policy response.

In the short term, we expect to see continued strengthening of the US dollar against many of the local currencies where we operate, especially those countries with high exposure to commodity prices.

Market overview – continued

Most of our markets offer strong growth potential. Indeed, in B2B specifically, half of our revenues came from Colombia, where we anticipate growth in B2B to continue to exceed average market growth.

We have seen our Voice services decline faster than expected over 2016, but this has been offset by a faster take-up of our digital services.

Our focus on providing accessible, secure digital platforms, channels and ongoing innovation has been key and will continue as a priority in 2017.

In Latin America, we have put great focus on enhancing our network capacity and improving our customer experience. Better customer experience helps boost data consumption and brand perception and hence, our data traffic has increased. Additionally, we have achieved and surpassed our 2016 aim to build and monetize fixed networks, passing over eight million homes.

Africa

In Africa, we operate in five diverse markets, where smartphone and data penetration vary widely. Greater market maturity and more intense competition mean that we have concentrated our focus on attracting high-value customers and on providing better coverage and a reliable network.

Revenue from Voice is still growing in our markets here and so we will continue to capture Voice value as well as driving a trend away from multi-SIMs. At the same time we will monetize data growth and develop our B2B opportunities.

Over the past year, we have invested in network modernization and upgrades across our African footprint. This acceleration program has achieved its aim of simplifying and speeding up the pace of our African operations, creating efficiencies and centers of excellence to drive revenue growth.

On a country-specific level, Ghana showed very positive momentum with a more stable currency and Rwanda and Senegal also delivered strong performances. Chad suffered macro-economic and security issues, and growth was flat. In April 2016, our Democratic Republic of Congo operation was sold to Orange.

> Our acceleration program in Africa has achieved its aim of improving revenue growth."

Our biggest African country by revenue, Tanzania, has also been the one facing the biggest challenges. Growth remains good, but we faced a number of headwinds: aggressive competition from a new mobile operator, as well as changing government policies. However, our strong Tigo brand perception helped us move ahead to become the largest operator by market share.

A key focus in 2017 is to grow market share in B2B and to comply with government regulations to list the business on the local stock exchange. We believe we can play a significant part in the growth of this market in the region.

Connected women

Worldwide, the GSMA estimates that 200 million fewer women than men own a mobile phone in low and middle income countries. Closing this gender gap could unlock up to US$170 billion globally for the mobile industry before 2020. This is also a great opportunity for Millicom in our markets.

GSMA's Connected Women Initiative is working to help the industry to address the barriers in connecting women and reducing the gender gap in the use of mobile internet and mobile money services.

In July 2016, Millicom became the first operator to commit all its Africa operations to the initiative. Later in the year, Tigo Paraguay became the first operator in Latin America to sign a commitment to reduce the gender gap in its mobile data customer base.

Read more here

Chairman's statement

Dear Shareholder,

Millicom is driving transformational change for people in Latin America and Africa who want to be connected on the go, at home, or at work. In this, my first statement as Chairman of the Board of Millicom, I am inspired by Millicom's ability to bring about digital inclusion, as well as its past performance, and its strong growth potential.

Read more on how we measure progress **see page 24**

We have delivered strong results, despite weaker than expected revenues during the year, brought about by challenging macro-economics in some of our largest markets. We remain focused on driving efficiencies and on growth in margins.

Executing our strategy

Millicom's strength lies in its strategic focus and execution capability, so it was with unanimous agreement that the Board was able to approve the detailed strategy that was presented to us in June.

Chairman's statement – continued

Millicom's strategy is thorough yet simple. It retains absolute focus on four pillars: providing leading digital services; monetizing mobile data and building fixed networks; delivering operational efficiencies and acting responsibly in the communities where we operate. Over-arching our strategy is the ultimate transformational goal – to become a customer-centric organization, delivering on the fast-paced expectations of increasingly digitally-sophisticated consumers.

With disciplined capital allocation, a strengthened balance sheet, and focus on the right fixed and mobile targets, the execution of our strategy is now in full force.

Board committees

During 2016, the activities of the former Government Relations and Corporate Responsibility Committee were incorporated into the scope of the full Board.

The Compliance and Business Conduct Committee (established in November 2015) commenced its activities in 2016, meeting seven times during the year, and providing the Board with oversight and recommendations regarding the Group's compliance program and standards of business conduct.

These changes were initiated as part of the Board's commitment to strengthen its oversight over business.

Read more in the governance section of our Annual Report **see pages 88-130**

Dividend

The Board remains committed to creating value for shareholders and we are confident that by executing our strategy, delivering efficiencies, and investing carefully, we will achieve this. We are pleased to recommend a final dividend of US$2.64 per share this year.

Board, management and colleagues

We thank our Board members who have stepped down this year, Anders Borg, Paul Donovan and Dame Amelia Fawcett, for their dedicated service. I would like to express particular recognition to Cristina Stenbeck, who stepped down as Chairman of the Board in May 2016. It was Cristina who initiated the significant transformations that have taken place in the Company over the past two years. This year's appointments to the Millicom Board support the profound transformations taking place and we welcomed Ms. Janet Davidson, Mr. José Miguel Garcia Fernández and Mr. Simon Duffy as new Non-Executive Directors.

Mauricio Ramos, our Chief Executive Officer, and his leadership team are highly experienced, talented and entirely dedicated to inspiring every colleague to achieve our vision and deliver on the potential of the business.

Outlook

We expect that external conditions in some of our larger markets will remain challenging during 2017. However, the fundamental demand within our markets, driven by demographics and the increasing appetite for fixed and mobile connectivity continues to grow. With the ongoing re-orientation of our business towards our customers and convergence, we are well placed to navigate this tough trading climate and we will take every opportunity to deliver successfully upon our strategy.

Tom Boardman
Chairman of the Board of Directors

"The ultimate transformational goal is customer centricity."

Read more about how we execute our strategy
see pages 18-23

Our business model

Millicom connects people to the internet and delivers the vital services that are enabled by this connection, to the home, at work and on the move. By investing in the best available technology and the best talent, we are able to create a compelling digital lifestyle for our customers.

The rapid transition towards this digital lifestyle delivers economic growth, and in particular growth of the knowledge-based economy; this brings with it a wide range of potential social benefits – in education, in health, in community cohesion, in financial inclusion – in short, it can deliver a better quality of life.

Our business is therefore to build state-of-the art fixed and mobile networks as well as on our use of this infrastructure to deliver build services for consumers and businesses.

We are rapidly increasing the digital capabilities of our mobile networks, extending our 4G network coverage – a technology that enables a step change in the size and speed of data services that can be delivered to the mobile customer.

We are rapidly expanding our footprint of state-of-the-art Hybrid Fiber Coaxial (HFC) fixed networks, passing homes and business premises and connecting them to our infrastructure.

We are monetizing the substantial investment we make in fixed and mobile networks by providing high quality, secure connectivity as well as innovative, compelling value-for-money services that consumers and businesses demand, placing a targeted multi-channel distribution network at their service.

This build-out of our fixed and mobile networks is underpinned by substantial further investment in converged IT systems, that are engineered to manage all of our business operations and enable our services to be developed, delivered and monetized efficiently.

As we usually have substance (people, networks, assets) in each of the markets where we operate, it is important we are a responsible member of the community where we work and set a good example with our corporate behavior. We are an integral part of the communities that we serve, so it is important that our business creates sustainable long-term social and economic value.

This is reflected in our partnerships with organizations such as UNICEF and GSMA, in social investment programs for education, child protection and community development. Our corporate citizenship is also reflected in our objectives to reduce energy consumption and recycle electronic waste responsibly.

To lead all the changes that our business model demands, we have developed a vibrant working culture that is focused on performance and delivery. Our training, personal development and career progression management is enabling people to achieve their own career aspirations within a framework of inclusion and diversity at all levels within the Company.

How we create value

Value created

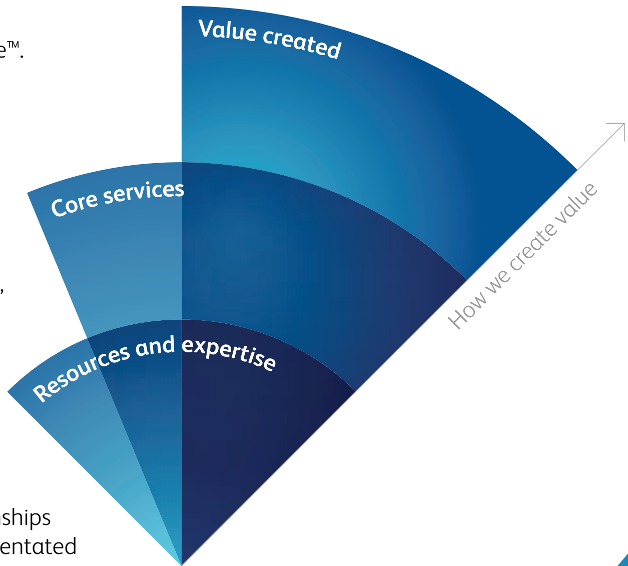
For our customers: all of the opportunities and benefits of The Digital Lifestyle™.
For our communities: digital inclusion, economic growth
For our shareholders: cash flow growth, total shareholder return (TSR) growth

Core services

Mobile: Voice, SMS and data services; MFS; pre and post-paid contracts.
Home: fixed-line telephony, high-speed broadband, PayTV including premium content, DTH (Direct to Home)
B2B: Voice, SMS and data services, fixed-line telephony, high-speed broadband, managed services including Cloud

Resources and expertise

Mobile networks: state-of-the-art 4G plus 3G and 2G
Fixed networks: state-of-the-art HFC ("Hybrid Fiber Coaxial")
IT infrastructure: converging "back office" systems
Distribution: multiple targeted channels to market
Suppliers and partners: high quality, competitive technology, win-win relationships
People: customer-focused, deep market knowledge, expertise, performance orientated



How we manage our corporate responsibility

Our business strategy and how we deliver it has social and environmental implications. By focusing on key topics we can make a positive difference in the communities where we work.

We continually work to understand and monitor the social and environmental topics that rise from our business operations or that pose concern to our different stakeholder groups – from investors to customers and the wider communities where we operate.

We identify our most material social and environmental impacts through internal risk and impact assessments and external stakeholder engagement.

In 2016, we carried out a formal survey and interviews with key stakeholders and identified eight topics with significant importance both to our stakeholders and to the successful execution of our business strategy.

Each issue has dedicated resources, policies, action programs and targets in place to achieve improvement over time, to mitigate associated risks and increase positive impacts.

Ongoing stakeholder dialog

As well as monitoring each topic internally, we maintain regular dialog with stakeholders at both global and country level – including responsible investors, industry peers, NGOs and governments.

This dynamic engagement enables us to put our priorities and initiatives to the test on a regular basis. We have established long-term partnerships with a number of organizations. At country level, we have various platforms such as Voice of Customer committees, social media, and Brand Tracker surveys to engage with our customers, and we also engage with local governments and NGOs.

Read more about our corporate responsibility program starting **on page 60**

Our social and environmental priorities

‹ High importance for stakeholders

Disaster preparedness and response Land acquisition and management for our network: community engagement, fair pricing and anti-corruption measures Tax transparency Right to join trade unions and freedom of association Living wage Conflict minerals Raising awareness on health impacts of electromagnetic frequency Employee training	**Privacy and freedom of expression** **Child protection** **Anti-corruption compliance** **Health and safety of employees** **Responsible supply chain management** Social innovation through our products and services Clarity of pricing and billing
Talent attraction and development Local recruitment and ethnic diversity Responsible marketing LGBT rights Safe use of mobile phones while driving Employment of disabled persons Digital inclusion of blind and deaf people Executive and Board remuneration	**Reducing our environmental footprint** **Promoting diversity** **Social investment** Stability and reliability of the network

High importance for our business strategy ›

Strategy

This section contains a comprehensive look at our business. Introduced by our Chief Executive Officer, it is a forward looking evaluation that includes a review of how we deliver, how we create and sustain value, and our selection of performance metrics.

Chief Executive Officer's review

After almost two years into my appointment as CEO, I am energized by the work we have been able to accomplish and the focus with which we continue to deliver our strategy.

Read our operational review
see pages 45-59

Our goal is to become a high-performing, high-growth, fixed mobile convergent (FMC) operator focused on equity value creation.

For this we have defined a clear, and clearly articulated, operational strategy; an ambitious set of operational priorities; setting and keeping the bar high on ethical and responsible ways of doing business; robust financial targets over the next three to five years that are fully aligned with the operational strategy; and a cash flow model to underpin our equity value creation model.

Chief Executive Officer's review – continued

I am pleased to say we have made great progress in 2016. We continued to monetize data and significantly expanded our cable network. We also continued to drive reconfiguration of our revenue mix to mitigate the faster than expected decline in our voice and SMS business which made our revenue growth weaker as the year progressed.

In the second half of the year, we focused on creating a high-performance culture, turning up the heat on transformation, efficiency and cost control through an important project we launched during the year, namely our HEAT project. With this project we aim to capture the next era of efficiencies that the digital transformation can offer.

Our strategy is clear and simple. We will:

- **Lead digital:** internally, we will leverage our digital transformation to become a much leaner operation. For our customers, we will continue to innovate and partner with other digital players to offer our customers the best services and local content.
- **Monetize data and build cable**: we build cable; home residential and B2B and we are focused on reconfiguring our revenue, creating a lighter, more digital organization which will deliver increased cash flows and in turn Total Shareholder Returns (TSR).
- **Deliver value:** as we embrace our digital transformation, we are reconfiguring our business to create a long term efficient and sustainable cost structure. Reconfigured revenue, lighter and digital organization will deliver increased cash flows and in turn TSR.
- **Act responsibly:** do business the right way and drive positive change in the societies where we operate.

Leading Digital

We are developing partnerships with key digital players such as Netflix and Microsoft and using technology as an enabler to increase our operational efficiency, agility and brand strength.

Millicom can offer its partners the opportunity to acquire new customers in a new region, adding our deep understanding of the markets we operate in. In Latin America for instance, we offer our digital partners more than 700 thousand distribution points. These are unrivalled touchpoints into our markets and a key competitive advantage.

We will also look at every opportunity to automate more processes across our business so that we can continue to improve our reliable, efficient services for our customers.

Our strategy

Lead digital

Digital innovation and digital services:
innovate and partner with other digital leaders to create win-win benefits and offer the best services and local content to our customers

MFS:
consolidate our position of leadership, drive customer loyalty, stickiness and reduce churn

Customer touchpoints:
increase customer engagement via more convenient digital touchpoints

Process automation:
introduce smarter more efficient operations which are fit for the future

Monetize data, build cable

Mobile data:
monetize data

Cable/fiber footprint:
expand our high-speed broadband footprint and leverage the quality of our network for both our consumers and B2B clients

Convergence:
prepare for convergence between networks, IT systems and channels

Capture synergies from convergence

Deliver value

Understanding our customers:
reorientation towards total customer satisfaction, enabling Millicom to fulfil its vision and mission

Operational efficiency:
executing our strategy

Equity value creation model:
cash flow growth and operational efficiency

Act responsibly

People:
attract, retain and develop talent, stand for diversity, encourage the Millicom culture

Corporate responsibility:
driving change by delivering results in key projects from waste programs to freedom of expression to child online protection

A role model:
positive change in society, compliance with laws and standards

Chief Executive Officer's review – continued

Monetizing mobile data and building cable

This year we have accelerated progress in monetizing data and building a greater cable network. Mobile data and cable segments now represent almost half of our revenue mix in Latin America.

Mobile data revenue across the Group has grown by more than 24% in the year and we now have 26 million smartphone users and almost 3.4 million 4G subscribers. Data consumption per subscriber has also increased by 26% to 1.4 GB per user per month. We expect this will continue to grow very fast in the future. We continue to innovate in this space using our customer insights, for example to roll out our successful pilot of the All You Can App initiative to help our customers purchase their data packages in an easy and relevant way.

Strong smartphone and 4G penetration are the key building blocks for further mobile data growth. We will continue to expand our 4G networks, facilitate smartphone adoption and bring The Digital Lifestyle™ to more people in our markets. We will also shift our balance from volume to attracting higher value customers.

In cable we have now built more than eight million homes passed in Latin America. Of these, almost 7.2 million are HFC homes with 3.7 million subscribers, driving organic revenue growth of more than 9.7%.

We have also leveraged our cable footprint to benefit our B2B customers, who require a fast, reliable network on which to grow.

Deliver value

We deliver value for both shareholders and stakeholders. In early 2016, we began a two-fold reconfiguration of the business looking at our revenue mix and our cost structure. Through the HEAT program we are already transitioning our business towards a leaner model. As a result, we have significantly enhanced our Operating Cash Flow (OCF).

Act responsibly

Corporate responsibility and compliance have great prominence in our business, reflected in this first integrated financial and corporate responsibility report. This year we became members of the United Nations Global Compact to make a public commitment to its principles on human rights, labor standards, environmental protection and anti-corruption compliance.

We make profits for our shareholders, but we also recognize the inherent social value our core businesses and connectivity creates. The transforming power of the technology we provide was celebrated at the 71st United Nations General Assembly that showcased our mobile birth registration programs in Ghana and Tanzania.

We have identified women customers as a great opportunity for us, and have made industry-leading commitments and created programs to address access barriers and increase the proportion of women in our customer base.

I am delighted to have joined the GSMA Board and to be able to work with the organization to ensure that the right strategic, regulatory and policy frameworks are in place to support the direction of the industry as we all focus on connecting the world.

Driving efficiency

A multi-year transformation program expected to generate more than US$200m in savings has been launched named Project HEAT.

The program is widespread and includes projects ranging from transforming our IT back office systems towards an OTT-like infrastructure, to turning our business into a "Capex light" model with more managed services agreements and network sharing, to implementing shared service centers and to changing our device supply chain to reduce working capital.

The result will be a more efficient and effective operating model and thus a stronger cash flow.

Chief Executive Officer's review – continued

Compliance remains a priority. This year we have welcomed our new Chief Ethics and Compliance Officer and worked to further improve our already robust compliance program. We have a zero-tolerance stance to all forms of bribery and corruption. Our prevention mechanisms include supplier assessments and third party due diligence, as well as with improved training for all employees. These initiatives continue to ensure ethical and responsible behavior and promote respect for our strict codes of conduct among our employees and suppliers.

Enabling new, easier and safer access online helps to bring about The Digital Lifestyle™. As we bring more people online, we also have a responsibility to protect those who are more vulnerable. I am proud of the way we have taken leadership on child online protection in our regions.

Our performance

To summarize our performance in 2016, we delivered strong underlying operational performance. We achieved this in the context of a difficult macro environment, especially in Latin America, and increased top-line pressure due to the accelerated decline of SMS and Voice revenues in the region. With laser-like focus on operating leverage we managed to significantly grow our OCF, and deliver stronger cash flows. Organic service revenue growth for the full year increased by 1.2% to US$5.9bn, adjusted EBITDA grew 4.3% to US$2.2bn and our focus on profitable growth at all levels in the Group improved the adjusted EBITDA margin in 2015 by 1.7% to 35.6%.

We continue to see selected opportunities for M&A within the boundaries of our existing footprint in order to expand our services and strengthen our overall position.

Our people

At the executive leadership level, I am pleased to report that we are now at full strength, enabling consistency and stability for the business. In 2016, we filled several important positions within the Executive Committee, welcoming Daniel Loria as Chief Human Resources Officer, Esteban Iriarte as Chief Operating Officer for Latin America, HL Rogers as Chief Ethics and Compliance Officer, and Rodrigo Diehl as Chief Strategy Officer.

Together we have created a simpler, more effective structure, which is functionally and operationally driven.

It is important to me that during 2017 we continue to develop a high performance, operationally excellent and customer-focused culture across the business and that we ensure best-in-class talent throughout the organization.

In summary, our strategy is in full motion and delivering results: we are monetizing data and building cable, fast. Placing customer experience at the heart of our decision-making will remain a core focus for us, as will continuing to innovate across all our operations. While reconfiguring the revenue mix, we are also undertaking significant transformations that I have no doubt will result in many further tangible successes in 2017.

Mauricio Ramos
Chief Executive Officer

> “We are monetizing data and building cable, fast.”

Executing our strategy

Our strategy is to build and monetize The Digital Lifestyle™. Execution is focused on a number of clearly defined priorities, articulated across markets but tailored to the specific competitive dynamics and customer needs of each individual market.

During 2016, we continued with the twofold reconfiguration of our business.

On the revenue side, we accelerated the migration from mobile legacy voice and SMS to data, as well as continued expanding our cable footprint as an enabler for our fast-growing Home and B2B businesses. On the operational side, we continued the reconfiguration of our cost base, with Digital as a key enabler to capture efficiencies and increase operational leverage to drive cash flow growth. We also increased our focus and efforts to delight our customers with a superior customer experience. Finally, we reaffirmed our commitment to invest in our people and act responsibly and in compliance.

> We are focused on growing our high-value, digitally active customers."

Mobile

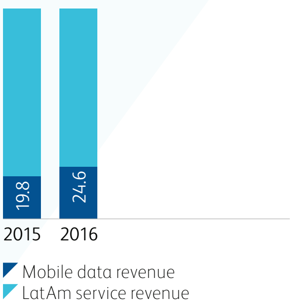
Mobile services remain the largest part of our business, accounting for 64% of our total revenues, and by the end of 2016 we had more than 57 million mobile customers across eleven markets in Latin America and Africa.

In Latin America, the mobile market has continued its rapid transformation from being mainly a voice and SMS market to being data-driven, and as a result the share of our revenues that comes from Latin American legacy voice and SMS has continued to decrease: in 2016 it represented 28% of our total revenues, down from 32% in 2015. Our strategy to monetize the rapidly growing demand for mobile data is built around a number of key drivers:

- **4G networks:** we are expanding our 4G coverage, a technology that enables us to deliver high volumes of data at high speeds to our customers. In 2016, we announced our first 4G services for Honduras, Paraguay and El Salvador. By the end of the year, we tripled the number of 4G subscribers, to reach 3.4 million 4G subscribers.
- **Smartphone adoption:** we are driving the adoption of data-capable smartphone devices that enable customers to use data services on the move. By the end of 2016, our smartphone user base in Latin America reached 20 million subscribers, or 63% of our total Latin American customer base.
- **Data usage:** we are creating compelling data-centric products and services to encourage our consumers to consume more data, while maintaining price discipline. In Africa, where our mobile revenues grew by 11% in 2016, the mobile market remains primarily a voice and SMS market, and therefore our strategy is driven by further high-value customer acquisition and growing the usage of both voice and mobile data. By the end of 2016 we had almost 15 million data users in Latin America and Africa, representing more than a quarter of our total customer base.

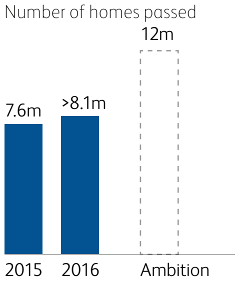
Mobile data revenue %

As percentage of LatAm service revenue



Raising our ambition

Number of homes passed



Revenue reconfiguration %

	2015	2016			
	Q4	Q1	Q2	Q3	Q4
LatAm Voice & SMS	33.37	31.65	29.69	28.55	28.12
Africa and other	21.89	22.58	22.21	22.09	21.76
LatAm mobile data	**18.30**	**19.46**	**20.45**	**21.65**	**21.78**
Cable	**26.44**	**26.31**	**27.64**	**27.71**	**28.33**
Strategic focus	44.74	45.77	48.09	49.36	50.12

Executing our strategy – continued

Mobile Financial Services
With more than two billion unbanked people world-wide, Mobile Financial Services (MFS) innovations have the power to reduce poverty and boost prosperity in the markets where Millicom operates. We have a solid track record of innovation in MFS, providing a broad range of services such as payments, money transfers, international remittances, savings, real-time loans and micro-insurance for critical needs such as health. It makes sending and receiving money easier and less expensive, giving users the freedom to use their money how and when they want. It is also a significant driver of customer satisfaction and loyalty as well as churn reduction. Today we provide MFS to more than 11.8 million customers, representing 21% of our customer base.

Home
Demand for PayTV and fixed broadband access continues to grow rapidly across our markets in Latin America, as coverage, usage and affordability increase. Our strategy to address this attractive digital growth opportunity is built around four priorities:

- **Build fast:** we are accelerating the roll-out of our high-speed HFC fixed network and are complementing it through targeted acquisitions that complement our footprint. In 2016 we passed 486.5 thousand households, reaching a total of 8.1 million homes passed by the end of the year – on our way to achieve our ambition of 12 million homes passed by 2021.
- **Fill faster:** we fill the network as fast as possible, converting homes passed into homes connected. Our current penetration is 38.2%.
- **Monetize faster:** we upsell through bundling of services to ensure we maximize the number of revenue-generating units per household. In 2016 we continued to improve our bundling ratio, reaching 1.8 revenue generating units per household.
- **Product innovation:** we drive customer connections onto our network by expanding our range of digital services and aggregating content, including exclusive local content, enabling us to differentiate our offerings from others in the market.

“Creating an effortless customer experience.”

Mobile Financial Services

With more than two billion people unbanked worldwide, fintech innovations like Mobile Money have the power to reduce poverty and boost prosperity in the markets where Millicom operates.

We provide Mobile Financial Services such as money transfers, savings, loans and merchant payments. It makes sending and receiving money easier and less expensive, giving users the freedom to use their money how and when they want.

Read more here

Tigo Business Forum

Tigo Business Forums took place in seven LatAm countries this year. These events have grown to become among the largest and most important technology and innovation conventions in the region with more than 5,000 attending the series.

At these networking conferences, we offer insight into the latest technology trends directly from renowned international speakers such as Jared Cohen, President of JIGSAW (Google Ideas), Susana Voces, President of eBay Spain, Marc Randolph, co-founder of Netflix and Steve Wozniak, co-founder of Apple.

Read more here

Executing our strategy – continued

B2B

B2B represents a significant growth opportunity, with several of our operations in Latin America and Africa where B2B is under-represented and provides an opportunity to grow to its 'fair share' of total revenues. Our strategy is to grow by leveraging the capillarity of our fixed network, as well as our strong mobile market position. We are also expanding our product portfolio to deliver more value added services and business solutions such as cloud services and ICT managed services. Our data center business is growing at double digits in Colombia. In 2016 we inaugurated two new state-of-the-art Tier III data centers in Paraguay and Bolivia. We have established partnerships that are opening up new possibilities in M2M and IoT, such as smart cities, telematics, smart metering, and smart vending machines among others. Our strong Central American B2B footprint and fiber backbone also means that we can service the needs of businesses with a regional footprint as well as multinationals that operate in the region.

Convergence

In all of our Latin American markets we are one of the two existing mobile players who has the lead and focus to build a modern high-speed broadband network. We continue to converge our organizations, channels, backend and fixed and mobile networks to drive efficiencies and capture synergies. It also enables us to offer innovative convergent services to governments, businesses and consumers, increasing loyalty and reducing churn and customer acquisition costs.

Customer centricity

The needs and desires of our customers are paramount and we will continue to place our customers and their experience at the heart of all our decision-making. To achieve our ambition of delighting our customers throughout their journeys, we are investing to strengthen our customer centric culture, as well as deploying a net promoter scorecard ("NPS"). As some of our markets in Latin America reach more maturity, we are also upgrading and focusing our retention efforts. In 2016 we created a Customer Experience team at Corporate level, to help us accelerate the deployment and sharing of best practices across markets.

Digital

To deliver the promise of a Digital Lifestyle and as key enabler for delighting our customers with a simple and positive experience, we continue to implement our digital transformation with speed and priority, focusing on four dimensions:

- **New digital services:** throughout 2016 we have been building as well as rolling out our digital innovation pipeline, launching innovative services and content for our customers. As an example, we launched "All you can App", which allows our prepaid customers to enjoy unrestricted time-based access to their favorite mobile applications. We have also partnered with digital leaders to establish win-win cooperation models and bring the best content to our customers.
- **Enhanced digital channels:** we are driving adoption and usage of more convenient digital channels. In 2016 we reached 2.2 million active users of Millicom digital channels for sales and care, with very positive results in terms of customer engagement and satisfaction and a direct correlation to churn reduction.
- **Digitized operations:** we have continued to automate customer-facing as well as internal processes to drive efficiencies and become a leaner operation.
- **IT transformation:** we are transforming our backend IT systems and infrastructure to enable The Digital Lifestyle™ now and in the future. We are simplifying and converging our IT, migrating to an OTT-like architecture and low-cost operating model.

Executing our strategy – continued

People and partnerships

As we execute our strategy, we rely on a wide range of resources and expertise from our people, partners and suppliers.

Our people

Our employees are the lynchpin to the successful delivery of our business strategy. By enabling and motivating our people across all our markets, we help to make Millicom flourish.

We have strengthened the capabilities of our human resources function to better support continued development and high performance of our employees. We created a global center of expertise, and a more streamlined, efficient and proactive talent management team with clear roles and responsibilities. Our new set up has further strengthened our offering and helped to focus on talent development, retention and succession planning.

At the same time, we have improved our leadership development program and begun delivering on our diversity and inclusion training, including a focus on unconscious bias, to our top Executive Team. We are now in the process of developing the content and preparing to roll out the training to all our staff since the end of 2016.

Diversity and inclusion are particularly important for us as they lead to new ways of working, different thought models and innovation to set us ahead of our competitors. Encouraging awareness, personal ownership and accountability takes our work culture to the next level.

Just as Millicom has a strategic focus on developing our digital services externally, we are also driving this goal internally. We are digitalising some of our key HR processes, including our performance management system which has now been rolled out online – giving managers and their staff easy digital access to this extremely important process.

Next year, we will build on this by digitizing further HR processes for our workforce.

Our employee profile

Millicom has 17,985 employees, more than 15,900 of whom work in Latin America. 95%[1] of our employees are of local nationality to the country they are employed in. We are proud of our highly ethnically diverse workforce which comprises 82 nationalities. Our employee base is young, with 39% of our employees under 30.

We have continued our work in building the most effective team structures to future-proof our business, which has resulted in some significant changes to our business, as outlined in on the next page, in line with industry trends.

Developing our staff

As our company grows and we develop new products and services, it becomes even more important to understand the skill sets we already have in place and map the new skills we will need to build and monetize The Digital Lifestyle™.

1 As of end of Q3 2016.
2 Calculated excluding training hours delivered in Chad, as we continue improving systematic tracking of training hours provided.

Average number of hours of training provided[1,2]

	2014	2015	**2016**
Women employees	24	27	**16**
Men employees	23	23	**18**
Senior managers	19	19	**34**
Employees excluding senior managers	32	24	**17**

New hires vs. turnover

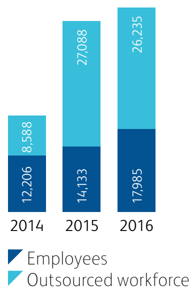
	Turnover %		Number of leavers		Number of new hires	
	Women	Men	Women	Men	Women	Men
Latin America	19	27	1,229	2,604	2,390	2,965
Africa	31	32	151	386	28	114
Millicom Group	20	28	1,411	3,067	2,455	3,137

17,985
employees

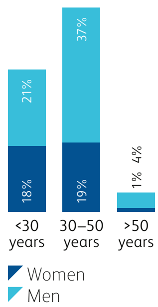
86%[1]
of our senior managers are recruited locally

95%[1]
of our employees are native to the country they are employed in

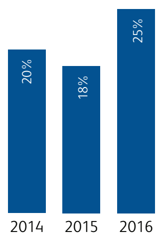
Trend of total workforce



Our people by age and gender



Turnover rate of all employees (Group)



Executing our strategy – continued

Significant changes to our business

In Africa, the outsourcing of our network maintenance was finalized in May 2015. In 2016, we adopted a similar model in three of our LatAm markets. This transition into managed services mirrors one that is taking place across our industry. The main driver for us was to focus our resources and efforts on delivering our core services and increase the quality of service by leveraging the expertise of a global supplier.

In these countries, the managed services provider was contractually tied to take over all our staff with equal or better conditions and with a 12-month job guarantee.

Across our Latin American operations and corporate offices in Miami and Luxembourg, we conducted a talent mapping process for around 900 managers and developed personal development and succession plans. In collaboration with INCAE, the leading business school in Latin America, we continued to deliver a one week Digital Leadership and Lifestyle program for 23 senior managers, and a two week Future Leaders program for 62 people which is targeted at our top talent in middle management across the region. As a result, participants from our Bolivia, Costa Rica, Honduras and Paraguay operations are now activating and transferring their knowledge gained during the program into their local businesses.

Our regional leadership training offer is composed of three programs: Leading for Entrepreneurship (61 participants in 2016), Change Management (88 participants), and Tigo Leadership Essentials (211 participants). Our Colombia, Bolivia, Guatemala and Costa Rica operations also implemented further local programs for 805 leaders.

In our African operations we have trained all our country leadership teams on Tigo Leadership Essentials. In our Tanzania operation we have conducted a talent mapping process pilot for around 55 managers. Across all our African operations we have conducted a succession mapping process, with robust plans now place.

Performance management
We have a robust performance management system where our employees can contribute to the business success and feel rewarded for their hard work. All employees have annual objectives, which are reviewed together by employee and manager mid-year and at the end of the year. Employees receive bonuses based on both their individual performance grading and company performance criteria.

Taking care of our people: health and safety
Most of our operations have specific Health and Safety Committees with employee representation. For more information on our work, see pages 76-77.

Listening to our people
We continue to conduct the Great Place to Work© survey in our LatAm operations, with our overall Trust Index© score increasing by almost 10% to 80. The surveys help us to assess our internal climate as well as to benchmark ourselves across our operations and also against other companies in our markets. All of the six Latin American operations surveyed this year scored over 75 in the Great Place to Work© Trust Index©, with Tigo Guatemala leading for the second year running, Tigo Paraguay in second place and Tigo Bolivia in third place on Great Place to Work© "Empresas con mejor clima laboral" ("best working environment").

The survey tells us that our strengths lie in how employees value the special and unique contribution that they can bring, the important role that our organization plays in the community and our commitment to diversity. The survey has also helped identify areas of improvement such as decision making, creating more opportunity for collaboration, reward and recognition.

Each operation has prepared a country and business area plan, linked to their culture change plans, to improve employee satisfaction scores.

Contributing to local employment
We continue to focus on retaining and promoting local talent to senior management roles, with 86% of our senior managers locally employed. We have also proactively engaged with leading universities to attract top local talent in both regions, for example through our partnership with INCAE in Latin America.

We provide an eight-week sales and business training program for our indirect sales force. This year we have continued to evolve the initiative to become the Tigo Experience School. We are providing sales and services training programs in all our Latin American operations. In 2016, we offered comprehensive training journeys for Mobile, Tigo Star, Tigo Money, Dealers, DMS and advanced customer-oriented workshops in the areas of consultative selling and negotiation. In total, some 17,200 participants completed our Tigo Experience School programs across the region.

Additionally, we have incorporated and successfully implemented focused leadership training for commercial leaders and during 2016 delivered programs such as Coaching, Team Building, Team Leader Journeys and in total trained about 728 people in LatAm.

In Africa we trained just under 30,000 freelancers and point of sale distributors. Our freelancers who complete this training often out-perform in terms of new customer acquisition.

Respecting our employees' right to collective bargaining
Collective bargaining agreements (CBA) are in place in our operations in Colombia, Chad and Senegal, accounting for 22% of our total employee base. We have successfully reached an agreement in Senegal in 2016 and the CBA was established. In Colombia, there are twelve unions established which all employees of TigoUne and its subsidiaries are free to join.

We also engage with trade unions in some of our countries, where formal CBAs do not exist, as they do not yet meet the legally required number of members to establish CBAs, such as in Tanzania.

Our Luxembourg office also has a formal Staff Delegation in place, who is appointed through an employee vote.

Executing our strategy – continued

Our External Partners

In an increasingly interconnected and interdependent world we strongly believe in partnering with third parties to establish win-win relationships.

Our long-term, strategic partnerships both at global and operational level have helped us become a leading telecommunications operator in managing material corporate responsibility topics, such as child online protection and privacy and freedom of expression. Through partnerships, for example with UNICEF, Civil Rights Defenders and Global Network Initiative, Millicom continues to acquire a better understanding of human rights issues in our operating markets and how to tackle them. We not only rely on the expertise of our partners, but also share our in-depth knowledge about our industry to jointly develop innovative solutions and tools.

Working with small local vendors as well as large multinationals, Millicom has a diverse range of strategic business partners: for network and IT equipment and operations, digital and traditional content, high-end and entry-level phones, and sales and marketing among others. We are continuously looking for innovative ways of partnering and cooperating

Digital workforce

In 2016, work began on an Employee Portal to help us collaborate, communicate and share relevant information more efficiently across the business. We are walking the talk by making our back office processes and procedures more digital, interactive and mobile-friendly. The portal is under development with colleagues in HQ and El Salvador. In early 2017, we plan to roll out this new business tool to a wider group of colleagues.

Corporate income tax paid by region

Year	Latin America	Africa	Unallocated items	Total continuing operations*
2016 (US$m)	**(234)**	**(17)**	**(9)**	**(259)**
2015 (US$m)	(230)	(16)	(6)	(252)
2014 (US$m)	(295)	(25)	(60)	(380)

*Total tax paid by the Group in 2016.

Industry leading partnership with UNICEF

Two years into our partnership with UNICEF, our collaboration continues to lead the way on child rights in our sector.

To date, the collaboration has focused on jointly identifying key child rights issues in the digital world and creating tools for telecom companies to manage the impacts their business operations may have on the rights of children. Together with UNICEF, we have brought together a diverse array of stakeholders to raise awareness of child online protection, developing support materials for our customers to protect their children online and most recently pledging support for further developing child helplines in three of our Central American operations.

Read more here and on **pages 64-66.**

To find out more about our work on responsible supply chain management, **see pages 78-79**

Please refer to our corporate responsibility (CR) performance review section for a more detailed list of our KPIs around Millicom's eight most material CR topics **see page 61**

Measuring progress against strategy

Lead digital

	2014	2015	2016
Active users (customers who use digital sales and care channels) (millions)	9	10	**12**
MFS penetration including Zantel (%)	16.9	18.0	**20.5**

Monetize

Mobile	2014	2015	2016
Data users (m)	15	18	**21**
Smartphone penetration (%)	23.9	35.5	**44.6**
4G subscribers ('000)		856	**3,432**
Data usage (GB/sub/month)		0.9	**1.1**
Data revenues as % of mobile revenues	20.0	26.0	**33.0**
Home	2014	2015	2016
Number of homes passed ('000)	7,084	7,632	**8,119**
HFC bundling ratio (RGUs per household)	1.6	1.7	**1.8**
HFC homes connected per homes passed (%)	31.0	30.0	**29.0**
B2B	2014	2015	2016
Revenues as % of total revenues	10.9	14.0	**14.5**

Deliver value

Operational efficiency	2014	2015	2016
Opex % revenue	40.7	40.1	**38.8**
EBITDA % revenue	32.8	32.4	**34.8**
OCF (EBITDA – Capex) % revenue	13.9	13.5	**18.3**
Cash flow	2014	2015	2016
OCF (US$)	887	930	**1,141**
eFCF (US$)	(43)	274	**269**
Return On Capital Invested (ROIC) (%)		15.5	**16.0**

Act responsibly

	2014	2015	2016
Turnover rate for all employees	20%	18%	**25%**
% of employees who have acknowledged the Code of Conduct	70%	52%	**81%**
Total carbon emissions (Scope 1, 2 and 3) tonnes per US$1,000 revenue	0.039	0.043	**0.040**
Number of employee fatalities	1	1	**0**
% spend represented by suppliers assessed by EcoVadis	N/A	53%	**48%**
Total monetary value of volunteering and donations	13,490	12,411	**9,984**

Performance

This section provides a multifaceted overview of our performance in 2016, including a report from our Chief Financial Officer, our risk profile and how it impacts our strategy, an operational review of our regions and a performance review of our corporate responsibility.

Chief Financial Officer's review

In 2016, we made progress in growing our margins, improving our cash flow and strengthening our capital structure. The business proved resilient to a more difficult operating environment aided by our focus on costs and targeted investment.

Chief Financial Officer's review – continued

Key financial highlights of the year[1 2]

US$m	2016	2015	% change
Revenue	**6,249**	6,572	(4.9)
Organic growth (%)	**(0.4)**	7.3	
Service revenue	**5,855**	6,056	(3.3)
Organic growth (%)	**1.2**	5.8	
Reported EBITDA	**2,172**	2,188	(0.8)
Adjusted EBITDA	**2,225**	2,227	(0.1)
Organic growth (%)	**4.3**	9.0	
Adjusted EBITDA margin (%)	**35.6**	33.9	
Capex	**1,031**	1,258	(18.1)
Operating cash flow ("OCF")	**1,141**	930	22.7
Return on Invested Capital ("ROIC")[3]	**16.0%**	15.5%	NM
Net debt	**4,181**	4,295	(2.6)

1 Guatemala and Honduras businesses fully consolidated. See "Additional information" on pages 197 to 200 for reconciliation with IFRS numbers. The comparative 2015 financial information has been re-presented as a result of the classification of our operations in DRC as discontinued operations (in accordance with IFRS 5).
2 Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. It should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Additional information" on pages 197 to 200 for definitions and reconciliations to the closest respective equivalent IFRS measures.
3 Before corporate costs

Revenue
Full year revenue was US$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 US$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 Latin American markets, as well as the lower price mix of handsets sold.

Gross margin
Gross profit was US$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.

Earnings before interest and tax
Operating expenses in the full year were US$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 Latin America, and tighter cost control in Africa. Corporate costs in the full year fell by US$44 million to US$165 million, and accounted for 2.6% of total revenue, compared to 3.2% in 2015.

Adjusted EBITDA for the full year was US$2,225 million, representing organic growth of 4.3% year-on-year. The US$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.

Operating profit
Depreciation and amortization of US$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 US$43 million were US$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 US$761 million, down 9.8% year-on-year, mainly due to lower gross profit and higher depreciation and amortization more than offsetting the reduction in operating costs.

Profit (loss) before tax
Net financial expenses were US$472 million, US$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 US$25 million in respect of our tender offer in December 2016 for US$300 million of outstanding bonds, and for the early redemption of our Swedish Krona bond due in 2017. Finance lease charges accounted for US$66 million of net financial expenses, compared to US$80 million in 2015.

The loss of US$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 US$300 million. 2015 also included a non-cash loss recognized 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 US$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 US$239 million compared to a loss of US$84 million in 2015, due to the other non-operating items described above.

Reconciliation from operating profit to adjusted EBITDA

US$m	2016	2015
Operating profit	**482**	843
Depreciation and amortization	**1,368**	1,281
Loss (gain) on disposal/write down of assets, net	**43**	64
EBITDA	**2,172**	2,188
EBITDA as a % of revenue	**34.8**	33.3
Restructuring, integration costs and other one-offs	**53**	39
Adjusted EBITDA	**2,225**	2,227
Adjusted EBITDA as a % of revenue	**35.6**	33.9

Chief Financial Officer's review – continued

Performance

US$m	2016	2015	% change
Revenue	**6,249**	6,572	(4.9)
Cost of sales	**(1,655)**	(1,793)	(7.7)
Gross profit	**4,594**	4,778	(3.9)
Operating expenses	**(2,422)**	(2,590)	(6.5)
EBITDA	**2,172**	2,188	(0.8)
Depreciation and amortization	**(1,368)**	(1,281)	6.8
Other operating income (expenses), net	**(43)**	(64)	(32.3)
Operating profit	**761**	843	(9.8)
Net financial expenses	**(472)**	(403)	17.1
Other non-operating income (expenses), net	**(1)**	(624)	(99.8)
Gains (losses) from associates, net	**(49)**	100	NM
Profit (loss) before tax	**239**	(84)	NM
Net tax credit (charge)	**(251)**	(278)	(9.6)
Profit (loss) for the period from continuing operations	**(13)**	(361)	(96.5)
Non-controlling interests	**(38)**	(115)	(66.7)
Profit (loss) from discontinued operations	**19**	(83)	NM
Net profit (loss) for the period	**(32)**	(559)	(94.3)
Adjusted net profit (loss) for the period	**73**	87	(16.6)
Adjusted earnings per share	**0.73**	0.87	(16.6)

Tax
The Group net tax charge in 2016 of US$251 million was almost 10% lower than 2015, mainly due to profit mix changes and lower withholding tax on cash repatriation

Net profit
The share of profits of non-controlling interests reduced by US$77 million, to US$38million, again reflecting the restructuring charges in Colombia and fair value adjustments in Guatemala and Honduras mentioned above. The profit of US$19 million from discontinued operations reflected the profit on the sale of our business in DRC, for which a loss of US$83 million was recorded in 2015.

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

LatAm
Total revenue in Latin America declined by 1.8% in 2016 on an organic basis, to US$5,352 million. Service revenue declined by 0.2% year-on-year, to US$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 US$1,727 million, while mobile data revenue grew organically by 22.7% to US$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 US$867 million, compared to US$1,045 million in 2015, again mainly reflecting the tighter focus of the investment program 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 licenses was US$94 million, of which US$39 million was cash payments.

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

Scope changes

During 2016, Millicom disposed of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. The sale of these operations generated a cash inflow of US$147 million, net of US$33 million of cash disposed.

On 31 December 2015, the existing call options with local partners lapsed and under IFRS 10 and 11, Millicom deconsolidated its investments in Comcel (Guatemala) and Celtel (Honduras). This has resulted in a non-cash negative value adjustment of US$391 million.

From 31 December 2015 onwards, Millicom accounts for its investments in Comcel and Celtel under the equity method and thus reports its share of the net income of each of these businesses in the income statement starting 1 January 2016. For the purpose of comparison and to provide users of this financial review a full understanding of the financial condition of the Group, the financial information presented in this section is on a pro forma basis as if the Honduran and Guatemalan businesses continue to be fully consolidated.

Further information on the accounting implications of the deconsolidation are provided in the notes to the consolidated financial statements.

Chief Financial Officer's review – continued

Africa

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 center 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 US$258 million, up 39.2%, while EBITDA margin improved from 22.1% to 28.7%. Capex for the year was US$160 million, down US$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 US$34 million in 2015 to positive US$97 million in 2016, a swing of almost US$132 million.

Free Cash Flow

US$m	2016	2015
Adjusted EBITDA	**2,225**	2,227
Restructuring, integration costs and other one-offs	**(53)**	(39)
EBITDA	**2,172**	2,188
Net cash Capex (excluding spectrum and licenses)	**(1,051)**	(1,123)
Change in working capital and other non-cash items	**(1)**	79
Operating cash flow	**1,121**	1,144
Taxes paid	**(259)**	(252)
Operating Free Cash Flow	**861**	892
Interest paid, net	**(427)**	(349)
Free Cash Flow	**434**	543
Advances for and dividends to non-controlling interests	**(165)**	(269)
Equity Free Cash Flow	**269**	274

Equity Free Cash Flow in 2016 was US$269 million, more than covering the proposed Millicom Group dividend payment of US$265 million. This excludes cash payments in respect of spectrum and licenses of US$39 million, including US$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 US$79 million inflow in 2015, and higher net interest payments, these being mainly due to higher levels of local currency debt, particularly in Columbia, and the one-off costs of the bond tender offers and early redemptions. Cash tax was broadly flat year-on-year.

Chief Financial Officer's review – continued

Assets, liabilities and equity

US$m	2016	2015[1]	Change
Intangible assets, net	**4,618**	4,851	(233)
Tangible assets, net	**4,205**	4,228	(23)
Investments in joint ventures and associates	**331**	373	(42)
Cash and cash equivalents and restricted cash	**1,103**	1,083	20
Other (non-)current assets	**1,627**	1,902	(275)
Total assets	**11,884**	12,437	(553)
Equity attributable to owners	**2,976**	3,285	(309)
Non-controlling interests	**1,095**	1,165	(70)
Debt and financing	**5,290**	5,385	(95)
Other (non-)current liabilities	**2,523**	2,602	(79)
Total equity and liabilities	**11,884**	12,437	(553)

1 Comparative information has been restated after finalization of Zantel's purchase accounting

Intangible assets
Intangible assets decreased during the year as an effect of the amortization charge of US$345 million, partly offset by the gross additions for the year and currency gains.

Tangible assets
Tangible assets slightly decreased during the year mainly as an effect of the depreciation charge of US$1,029 million, impairment charge of US$26 million (Guatemala mainly), partly offset by the gross additions for the year of US$905 million and currency gains.

Investment in joint ventures and associates
Investment in joint ventures and associates decreased by US$42 million, mainly due to the losses from our investments in AIH and LIH (e-commerce ventures) including an impairment on LIH for US$40 million.

Equity and non-controlling interests
Equity attributable to the owners of the Group has decreased by US$309 million mainly because of the loss for the year of US$32 million and US$265 million of dividend declared in 2016.

Non-controlling interests have decreased by US$70 million mainly due to the effects of dividends declared in 2016 of US$224 million, partly offset by the profit for the year of US$38 million and currency gains of US$117 million.

Debt and key financing activities
At 31 December 2016, the Group gross debt decreased by US$95 million, mainly due to the effects of the to the repurchase of US$300 million of 2020 and 2012 Senior Notes undertaken through a tender offer in December 2016, as well the repayment of around US$50 million of debt in Colombia, and the early full redemption of US$40 million of SEK bonds maturing in 2017. This was partly offset by the issuance of several new financings.

At 31 December 2016, 71% of group debt was at fixed interest rates 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%.

Group net debt, including Guatemala and Honduras on a fully consolidated basis, was US$4,181 million at the end of December 2016, US$114 million lower than at the end of 2015, reflecting stronger cash flows. Net debt/EBITDA, based on the last 12 months EBITDA, was 1.93x at 31 December 2016, compared to 1.97x at the same time last year.

Risk management

In 2016, Millicom further refined its strategy to lead digital, monetize data, deliver value and act responsibly.

Risks including the macro-economic environment, competitive dynamics and political and regulatory environments remained at the forefront of management decision making.

From an operational perspective, Millicom successfully obtained and renewed licenses in a number of our markets, and accelerated investment in cable and mobile data in response to further weakening in demand for Voice and SMS services. Our business models and expansion continues to focus on reducing our exposure to these traditional mobile operator services.

The impact of macro-economic headwinds was less notable than in 2015, although currency volatility remains a key risk in some of our markets (including Colombia, Paraguay and Tanzania).

Risk landscape and appetite

Millicom operates its businesses and generates substantially all of its income in emerging markets in Central America, South America and Africa. As Millicom does not operate in any developed market economies, it is exposed to a higher inherent degree of risk, and potentially different risks than telecommunications businesses operating in larger, more established and mature economies. The geographical diversification of Millicom's businesses mitigates, to a certain extent, country specific events or situations that impact risks the Group faces as a whole. However, our businesses remain collectively exposed to the impact of regional and global macro-economic conditions, as well as industry developments.

Millicom operates in the rapidly evolving telecommunications business. The pace of technological change can have a significant impact on the demand for services, and the ability of telecom operators to generate sufficient returns on investment. This pace of change is expected to continue as consumers seek to improve their lifestyles with new and higher quality products and services wherever they may be.

Millicom's speed of execution, innovation and flexibility have contributed to its success. Millicom is smaller than some of its main competitors, and operates within the constraints and limitations attributable to its smaller size. These include access to, and cost of capital, financial resources and in investing in innovation and growth.

Certain inherent risks are prevalent in many of these markets, over which Millicom has no or limited control. The risks described below are not the only risks to which Millicom and the Group are exposed. Additional risks that are not currently known to Millicom, or that Millicom currently considers to be immaterial, could have a material adverse effect on Millicom's and the Group's business. The order in which the risks are presented is not intended to provide an indication of the likelihood of their occurrence or of their relative significance.

As a consequence, Millicom's risk appetite is higher than many of its peers in the telecommunications industry, and its risk profile wider than many international businesses.

Risk management framework and approach

Millicom's enterprise risk management (ERM) framework is illustrated in the pyramid shown on the following page. Governance is provided by the Board and oversight by the Audit Committee, in conjunction with the risk function. Risk processes are embedded operationally both geographically (by country) and functionally (by business area). Risk and control culture activities are led by the CEO and Executive team, and supported by the Business Controls, Compliance, Risk, Corporate Responsibility and Internal Audit functions.

Millicom recognizes that risks in operating its businesses are influenced by both internal and external factors, some of which are outside our control, and some of which cannot be insured against. Risks are inherent in business and Millicom accepts these risks to the extent that opportunities for sufficient returns exist and that systems and controls are in place and are operating effectively to manage risks to an acceptable level (the "residual risk").

Millicom's approach to risk management is utilized by our operating countries, business units and corporate functions. Key strategic and operating risks are assessed from an overall Group perspective, as well as by individual country and business unit. Risk action plans that seek to balance risks with returns are developed, implemented and modified over time as the underlying risks evolve. Action steps are implemented both globally and locally by country executives and key decision makers.

A network of risk officers is in place at headquarters and each significant operating country level.

The risk function is tasked with identifying, analyzing, monitoring and coordinating Millicom's approach to balancing risk with return and reporting to the Executive Team. The Audit Committee, on behalf of the Board, reviews the effectiveness of risk function activities on a regular basis.

Risk identification

Millicom reviews its principal risks on an ongoing basis and in a quarterly reassessment. Risks are identified and analyzed in terms of inherent risk and residual risk (after consideration of controls and mitigating factors), as well as risk trend.

Financial, operational, reputational and compliance aspects, of each risk principal are considered.

Risk assessment and measurement

Millicom's risk assessment and measurement is performed from both top-down and bottom-up perspectives, and risks are identified and managed from the level of strategy and strategic direction through to specific transactional processes.

Risk management – continued

Potential improper payments on behalf of the Guatemala joint venture

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Group's joint venture in Guatemala.

In May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation had been discontinued on jurisdictional grounds.

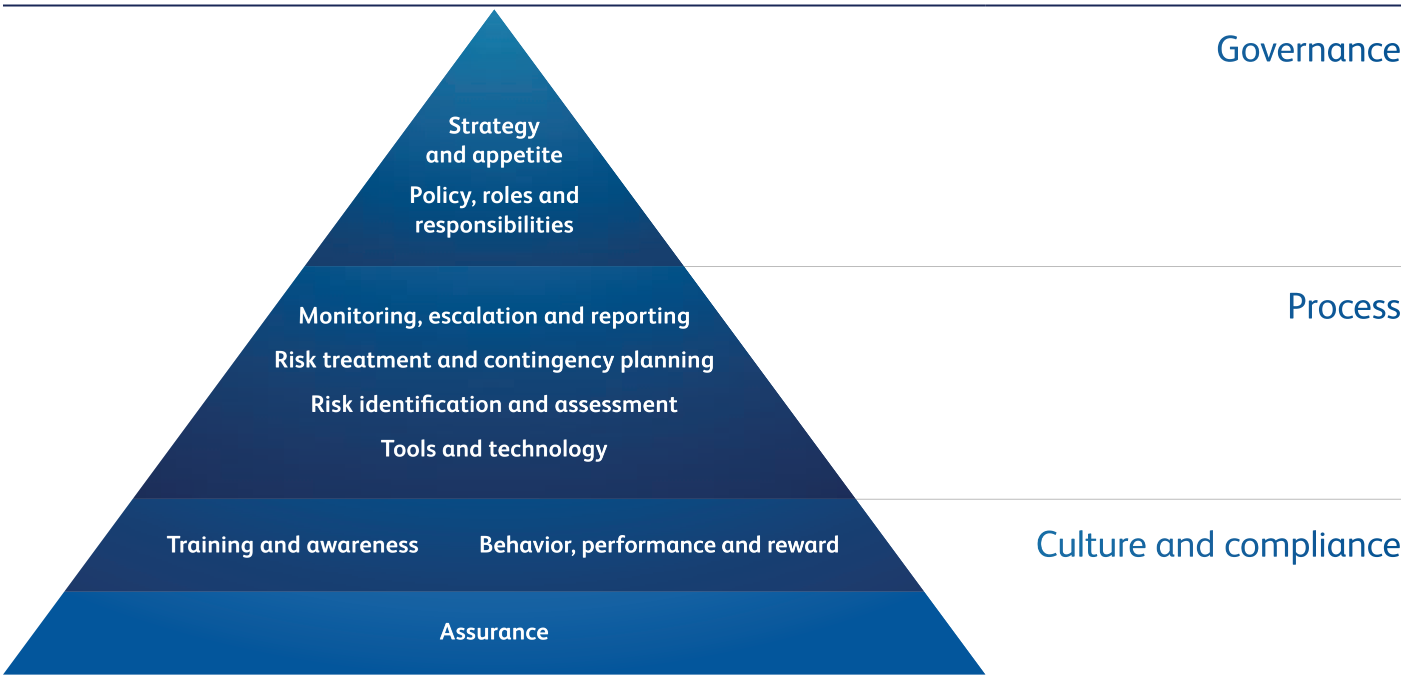
As the investigation and its discussions with law enforcement authorities are ongoing, we cannot predict the ultimate outcome of the matter, whether any remedial actions will be implemented or the impact on the Group's business, financial condition or results of operations.

Any determination by law enforcement authorities that the Group's operations or activities are not, or were not, in compliance with applicable laws could result in the imposition of fines, interruptions of business, loss of relationships and other legal or equitable sanctions, which could disrupt the Group's business and result in a material adverse effect on the Group's reputation, business, results of operations or financial condition.

Other internal or government investigations or legal or regulatory proceedings, including lawsuits brought by private litigants, including Millicom's shareholders, may also follow as a consequence.

Evolution of Millicom's Principal Risks, related opportunities and Millicom's approach to balancing risk with return are set out on the following pages.

Our risk management framework



Risk management – continued

Strategy and strategic direction

The mobile telephony industry has evolved significantly in the past few years, and many choices emerged in terms of strategic direction. Failure to effectively position or reposition strategic direction could have a significant impact on shareholder value and long-term viability.

Risk evolution	Key opportunities	Balancing risk with return
Demand and willingness to pay for traditional Voice and SMS services is rapidly declining.	The wider availability of customer access points, faster and more reliable technology, and rapid growth in data content related products and services available through mobile and fixed channels create unprecedented opportunities for companies that control access points to provide more services, more often to customers.	Strategic decisions taken include the expansion into a wider range of data-centric products and services including strategic partnerships with content providers, and in Mobile Financial Services.
Consumers are increasingly able to choose the access channel to the products and services they want.	High growth in demand for products and services is resulting in more consumer income being allocated to purchase products and services through telco and cable operator channels.	Quality and quantity of customer access points are considered on an ongoing basis. Millicom uses a variety of tools including customer engagement, local and regional trends, and consumption patterns to identify and improve access channels.
Competition continues to intensify and most markets are now saturated in terms of mobile operators.	An excess of operators in markets creates demand for merger and acquisition activity. This enables operators to assess their operational portfolios and provides opportunities to reallocate capital and resources. For example, following a long-term strategic assessment, and through an understanding of local market dynamics, Millicom divested its business in DRC.	Millicom reviews its presence and offerings in each market in which it operates on an ongoing basis, against its strategy and operational targets. Opportunities to acquire, merge or divest businesses are carefully considered in light of market dynamics, portfolio balance and long-term value creation.

Risk management – continued

Competition and new business models

Millicom has now evolved from an operator of traditional mobile businesses to a provider of a comprehensive range of services through fixed line, mobile, satellite and Mobile Financial Service platforms. Failure to setup business structures and models that facilitate efficient and effective operation could negatively impact competitive positions, and business value.

Risk evolution	Key opportunities	Balancing risk with return
Demand for new and a wider range of products and services has created opportunity, but added complexity.	Due to its close relationships with its customers, Millicom is ideally positioned to provide new products and services.	Choice of product and service and development and delivery choices (internal, strategic partnerships, acquisitions) are carefully considered with respect to fit with core business and business objectives, size of opportunity, expected payback, and ability to deliver.
Development and supply of new and more services increases complexity.	Speed, value of products, and quality of service will improve customers' lifestyles and lead to increased consumption.	Focus on efficiency and effectiveness of product quality and customer management processes including quality of service metrics.
Alternate technologies are changing the way in which customers consume communication, information and entertainment services. A rapid increase in data consumption by customers coupled with demand for increased speed and cheaper smartphones is characterizing the industry.	We see significant potential in synergies from combinations of cable, TV, and broadband services with our mobile operations in many of our markets (particularly LatAm and in Colombia). Further opportunities exist to partner with over-the-top (OTT) content and service providers and use these opportunities to strengthen our mobile customer base and increase ARPU.	We take a customer centric approach to developing our portfolio of products. We actively seek partnerships with providers of content and services to further enable our customers' digital lifestyles. This allows rapid launch of new features, minimizes investment, and also sharing of risk with our business partners.
Need for a broader range of skillsets of employees.	Increasing efficiency by matching skillsets with business needs, to improve quality of products and services and customer experiences.	Millicom is putting effort into increasing diversity among its employees and putting in place inclusive practices to remain responsive to a diverse customer base.

Business practice management

Failure to implement strong standards of business practice management that incorporate the needs of all stakeholders, may result in incidents which have a significant and long-lasting negative impact on Millicom's business, relationships with key stakeholders, and shareholder value.

Risk evolution	Key opportunities	Balancing risk with return
Investment community demands for appropriate business behavior and strong compliance and corporate responsibility programs continues to increase.	In most of its countries, Millicom is one of the largest foreign investors in the market with a high degree of brand visibility. This position creates both the expectation and opportunity to differentiate with strong corporate citizenship and corporate responsibility practices. These have a direct impact on brand recognition and affinity.	Millicom's compliance and corporate responsibility programs drive aligned responsible business practices across our footprint. We carry out regular controls of policies, and review brand perception with customer and employee surveys.
Shareholders are increasingly demanding greater transparency and disclosure on corporate governance, business practices and corporate responsibility.	Transparency in business practices builds stakeholder trust and confidence. This widens the potential base of Millicom investors as organizations continue to seek investments that provide their beneficiaries with the right balance between risk and return within a framework of acceptable and transparent business practices.	Millicom publishes an annual Corporate Responsibility Report and Law Enforcement Disclosure Report. We regularly engage with shareholders and other key stakeholders to understand their key areas of concern and focus. This engagement defines also Millicom's external reporting and transparency efforts.

Risk management – continued

Political and regulatory risk

Millicom's markets experience political and regulatory volatility, with policy making and implementation and enforcement of rules and law often lacking in transparency and predictability. Avenues for recourse may be limited or ineffective. Millicom's ability to achieve its business objectives may be negatively impacted by political, regulatory, judicial or civil factors in which Millicom has limited or no control over.

Risk evolution	Key opportunities	Balancing risk with return
Political instability. In 2016, our markets remained relatively stable from a political perspective, although risk levels remained unchanged.	Positive political change can provide platforms to improve the lives of our customers and stimulate economic growth that supports development of the telecommunications industry.	Millicom has a politically neutral approach with no political affiliations in any of the countries in which it operates. This policy increases independence and reduces risks related to change in political regimes.
Government access to customer data and restrictions to network access. There is continued increasing pressure on governments to protect their citizens' safety and security.	Restrictions to network access or to prevent services on our networks lead to financial losses and prevent us from providing our customers the service they want. We work with governments to promote clear laws and regulations that adopt necessary and proportionate access to customer information and which protect freedom of expression and privacy.	Millicom has internal processes and policies to balance the need to respect local laws and governments' legitimate duty to protect its citizens with our responsibility to protect the privacy of our customers' information and access to communications. We are members of Telecom Industry Dialogue and Global Network Initiative.
Indirect taxation and regulatory pressure through tariffs, taxes and service penalties continued to increase in 2016. In Tanzania legislation was enacted requiring us to list 25% of the shares of our operation on the Dar es Salaam stock exchange.	Advance planning enables us to predict and plan for potential changes in tariffs and regulations. Dynamic pricing enables us to adjust rapidly to the impact of rate changes. In addition, the experience we gain in more regulated and taxed markets enables us to transfer knowledge and best practice to less developed markets and thereby react quickly to changes.	We constantly monitor and review potential changes in regulations. Efficiency programs are sought in all aspects of our business to offset the impact of newly introduced or expected changes in taxes and regulations.
Anti-corruption compliance. All of our countries of operation continue to rank as high risk on the Transparency International Corruption Perceptions Index (CPI).	Ethical and responsible business practice builds stakeholder trust. A compliance based culture adds reputational value, adds value and confidence to stakeholders, and can be a competitive advantage in many of our markets. Strong compliance programs reduce vulnerability and risk of bribery and corruption related issues.	We have a zero tolerance stand against bribery and corruption in all of our business dealings. Through clear policies, risk awareness training and monitoring activities, we ensure that all of our employees are aware of the risk to them as individuals and to the Company and know how to act if faced with the risk. Our Global Compliance and Business Ethics team works closely to follow up on all concerns raised. We also work with our suppliers and other third parties to ensure they have clarity on our principles and policies in this area.

Risk management – continued

Macro-economic conditions

Unfavorable macro-economic conditions (including local currency devaluation against the US dollar, inflation and other factors impacting consumer spending power) may reduce customer ARPU and Millicom's dollar-based results and cash flows.

Risk evolution	Key opportunities	Balancing risk with return
Currency volatility against our US dollar reporting currency continued in many of our countries during 2016.	We continue to seek opportunities to match the currencies of our cost base with our revenue generating currencies, as well as availability and cost of hedging instruments. As the economies in our countries develop, the availability of local financing at commercially acceptable rates is increasing. Colombia has a relatively mature financial market with various financing and hedging instruments available that could be used to manage currency fluctuations in the income statement and cash flow, as our balance sheet is already fully hedged.	Our cash flow planning process involves careful analysis of the timing and amounts of cash flows required to service Group level debt while balancing cash flow needs of each of our operations. The diverse geographical spread of the countries and economies and currencies in which we generate revenues and cash flows reduces our exposure to fluctuations in individual countries or currencies. We repatriate cash as early as possible.
Macro-economic risks. Fluctuating energy prices (in particular oil), currency volatility and political uncertainty continued to add to economic uncertainty. In 2016, deteriorating security environments in some of our Central American markets continued to impact GDP and economic growth in many of our countries, all factors contributing to cautious consumer spending. Political change in the US has increased uncertainty potentially impacting remittance levels from the US to our Central American countries.	Demand for the increasingly diversified range of our services from higher value and target customers continues to increase, in particular data and Mobile Financial Services. Many of the economies in our markets continue to outgrow more developed economies, leading to increased disposable income and consumer demand for our products and services.	Operational efficiency management programs in place seek to reduce cost and deploy Capex in business areas offering higher return on investments. Our business model is focused on gaining customer access points (particularly in homes) as well as cross-selling and upselling more services to higher value customers. This model provides us with greater resilience to economic conditions than on average in the telecom and cable industries. We continue to develop opportunities in our B2B sector reducing dependence on individual consumers.

Risk management – continued

Brand and reputation risk

Failure to have appropriate and effective protective and/or reactive measures to prevent, or limit exposure to brand and reputation damage could have a significant negative and long-lasting impact on Millicom's business, relationships with key stakeholders, and shareholder value. Failure to leverage Millicom's brands to capitalize on new opportunities, to develop consumer trust, and operate as a multi-service cross industry and continent provider may restrict growth of brand value.

Risk evolution	Key opportunities	Balancing risk with return
Brand equity. As Millicom expands the range of products and services it delivers under the Tigo brand family, the severity of impact of reputational and brand damage increases.	Opportunities exist to leverage from local to regional and/or global in many areas including cross and intercontinental cooperation with content partners, social media partners, suppliers and business partners (including international money transfer companies), as well as upsell new services.	We directly associate brand equity with our public profile and see management of our image with investors, customers, regulators and non-governmental organizations in our markets as being closely correlated.
Reputation as a responsible company. As a Swedish listed company, expectations are high on our ethical standards and doing business the right way. At the same time Millicom operates in markets where legislation on social and environmental issues may be lagging and strong self-regulatory approaches are needed.	As business leaders in our markets, we differentiate with our responsible business approach. We also have an opportunity to attract socially responsible investors with positive performance in corporate responsibility.	We operate a developed corporate responsibility management system, with priorities defined based on local needs and stakeholder concerns. Our approach is to be transparent about our corporate responsibility performance and proactively engage with external stakeholders.
Promoting child rights and child online protection. The populations in our markets are young, making it important for us to understand how our business affects child rights. Inherent risk of child labor at both ends of our value chain is high. The internet can open huge opportunities for children.	In many of our markets legal frameworks to protect children in the digital world are under-developed. This gives us a significant opportunity to ignite dialogue and collaboration with governments, our strategic partner UNICEF, and other key stakeholders. We want to lead our industry to better understand and manage its impacts on the rights of children.	We continue to conduct child rights impact assessments across our operations using the tool we jointly developed with UNICEF. Our recruitment processes and supplier Code of Conduct set requirements for minimum age of employment. We conduct industry-leading child online protection workshops with our partners, governments and peers.

Risk management – continued

Robustness, reach and reliability of networks and IT systems

Disruption in operation or quality, whether through technical issue, forced shutdown, interference (intentional or unintentional) or any other reason, directly impacts Millicom's ability to provide service and generate revenue from its customers.

Risk evolution	Key opportunities	Balancing risk with return
Network quality and availability. Network availability and quality, now more than ever, are key factors in many customers' choice of mobile operator. Many of the countries in which we operate lack infrastructure or have infrastructure in relatively poor condition. Reliability of energy supply is a challenge as some countries of operation lack any reliable electricity grid. This also increases our CO_2 emissions as we rely on diesel generators.	To develop and maintain quality networks that help to obtain and retain customers, and to build reputational strength in terms of reliability and consistency within the markets in which we operate. We invest in alternative energies, such as solar power and hybrid battery solutions. These solutions provide a strong opportunity to reduce our environmental impact and have access to reliable power for our sites in remote "off-grid" areas.	Our network investment strategy is balanced between capacity increase, geographical coverage, technology advancement and security and stability. We also deploy technologies such as single-RAN and alternative energy solutions to reduce our energy consumption and carbon emissions. We have rigorous processes and controls around capital allocation that include assessment of relative paybacks of specific investments across the Group.
Data and information security. Information security and data protection are increasingly placing a burden of compliance and responsibility on companies such as Millicom who retain, handle and process sensitive customer data.	Competitive advantage can be obtained and maintained through robust information, security processes and transparent communication to customers on our privacy policies and how we collect, retain and use their information to provide our services.	Millicom's network and IT system development processes include regular assessments of threats and vulnerabilities to security breaches, and deployment of resources to mitigate those risks.
Protecting infrastructure and service continuity is a significant risk area. Similar to protecting the life of our people, our operations are subject to many varying events including natural, environmental, theft and fraud, fire and terrorism, as well as cybercrime.	Ensuring that we have contingency and business continuity plans in place will assist us in rapid response and remediation in the event any risk materialize. Our customers and other stakeholders are depending on our services, particularly in times of need.	Millicom has established robust business continuity and crisis management processes and plans according to international (ISO) standards. Every market has a professionally trained and certified Business Continuity Management (BCM) officer.
Dependence on third party infrastructure providers. Millicom is increasingly dependent on third parties in the operation of its businesses such as outsourced providers of network (tower companies) and infrastructure management (managed service providers).	The extent and scale of Millicom's operations continues to increase through organic and acquisition growth. This provides Millicom with further opportunities to partner with selected suppliers on a regional or global level, increase purchasing power and leveraging efficiency in the roll-out of common systems, platforms, products and services across its footprint.	Millicom's dependence on third party providers is carefully managed from assessment, selection and renewal, including due diligence, contract length and renewals, service level agreements, as well as end of term provisions, and ongoing monitoring of events and transactions that may impact business continuity.
Climate change risk and natural disasters. Extreme weather situations are becoming more common with climate change and do affect some of our operations. Some countries are located in areas prone to earthquakes, extreme weather, drought or floods. These all may affect our ability to provide our services.	Our services are essential in connecting our customers to emergency services and each other at times of natural disasters. Therefore, our ability to continue providing our services can support communities in quickly responding to emergency situations.	As part of our BCM strategy, we have conduct risk mapping, impact analysis and crisis response assessments, and each operation has a disaster recovery plan. Climate change resilience is one of the risks in our risk map, and is fully integrated in our crisis response and BCM approach.

Risk management – continued

Licenses to operate and spectrum

Rights to use spectrum and licenses to operate are increasingly expensive and scarce.

Risk evolution	Key opportunities	Balancing risk with return
Scarcity of spectrum and licenses. Operating concessions are relatively easy to renew, albeit at a price, although spectrum required for operations are limited resources, and becoming increasingly costly to acquire and renew. Moreover, obligations on operators attached to spectrum and licenses are increasing, with social, educational, economic and other political requirements being attached to operators.	Millicom is actively engaged in the financial future of the countries and livelihoods of customers in its markets. Its voluntary contributions and value creation for individuals and organizations alike create natural partnerships and governmental organizations with non-profit objectives.	Millicom's license and spectrum planning are critical components of its mobile businesses. Renewal/retention is often negotiated in initial allocation contracts and opportunities to acquire new spectrum are carefully considered in terms of spectrum quality, fit with network needs, and driven by customer demand. Millicom's corporate responsibility objectives are compared on a regular basis to those of the individual countries in which we operate, and obligations attached to licenses and spectrums are carefully reviewed for compatibility with Millicom practices.

Risk management – continued

Executing/delivering on the strategy

Failure or inability to formulate and implement the right business models, at the right time, and the right speed, with the right strategic partners and suppliers, and the right internal resources could significant impact Millicom's ability to meet its strategic goals.

Risk evolution	Key opportunities	Balancing risk with return
The pace of roll-out of cable and 4G networks continues to be a critical part of the speed in which Millicom can reconfigure its revenue model.	First mover advantage applies in terms of demands of customers for faster mobile data speeds. Increasingly the cable footprint and modernising the networks in place provide significant opportunities for customer adds and increases in ARPU, as well as related economies of scale.	Millicom's allocation of capital resources is based on detailed strategy and business cases for each business area, country and specific geogrpahies within countries. Roll-out and launch actions are supported with sales and marketing relating activities to drive customer penatration and take-=up of services. Progress on roll-out and customer acquisitions are carefully monitored with significant senior management involvement.
Formulation of strong relationships with key suppliers and business partners continues to be a focus in the goal of enabling implementation of the strategy to provide high quality innovative service and digital content, to improve the experience of our customers.	Partnering with suppliers with proven business models and rapid growth in services such as Netflix and Deezer strengthens Millicom's ability to maintain and enhance customer relationships. Strong relationships with key infrastructure and service providers increases efficiency and the business activities of those partners to be aligned to Millicom's way of doing business.	Selection of key business partners is performed following comprehensive business case analysis and procurement processes, including risk and compliance related assessments. Concentration risk is assessed regularly as well as contractural terms, which include provisions for required service levels and business continuity.
Internal resources are critical enablers in execution of the strategy. This risk has decreased in 2016 with the full configuration of the Executive Management team , but remains significant in day to day operational execution activities.	Millicom's businesses in its key markets are consistently rated as top 10 places to work. This enhances the brand and reputation of Millicom not only as a service provider by an employer of choice.	Millicom's internal resources are regularly assessed in terms of quantity, skill-sets and experience internal resources, with adjustments carefully configured to match the strategy and future needs of the business. Key positions require senior management approval and Executive Team appointments are made together with the Board of Directors.

Risk management – continued

Legislation, litigation and legal environments

Millicom has limited control over or ability to affect the legislative, and judicial environments in the countries in which it operates. Penalties, fines, damages, restrictions, disqualifications or other legislative changes may be imposed impacting Millicom's business (including anti-trust, information privacy, and financial regulation).

Risk evolution	Key opportunities	Balancing risk with return
Legislation and regulation in Millicom's operating countries continues to increase in applicability and complexity and is expected to increase further in areas such as information privacy, anti-trust, mobile financial services, environmental protection, taxation and other financial regulations.	Legislation and regulation can increase certainty in operating models and provide opportunities to improve relationships with customers and other stakeholders. It can also create opportunities in improving competition in converging services such as Mobile Financial Services.	Millicom's legal teams are constantly monitoring and reviewing potential changes in laws, and actively engaging with regulators and legislators. Programs programs are in place to reduce the risk of non-compliance.
Judicial process and avenues for recourse in many of our countries remain limited. Transparency in judicial proceedings and tax administration continue to lag behind developed market economies.	Proactive and early engagement with appropriate governmental organizations can result in positive contributions and improvements in judicial and tax process, reducing opacity and making for improved business conditions that promote access to digital communications.	Our legal and external affairs teams regularly assess the availability and strength of recourse measures both in-country and through international methods as and when issues arise. Our tax strategy includes management of risks and uncertainties, particularly where legislation is either underdeveloped or lacking in clarity.
Threat of litigation remains high in some of our key markets (notably Colombia) as the size and visibility of our businesses can be seen as a target for claims, even if those claims are spurious and lacking in merit.	High visibility is critical to the success of our businesses. Clearly communicated and enforced standards of business practice and careful selection and due diligence on third parties reduces opportunist type claims.	Business partner relationships are carefully monitored. Litigation threats assessed on a regular basis and managed on the merits of each case.

Risk management – continued

Risk management, internal control and assurance

Millicom conducts its business in multiple countries with many employees, suppliers and other stakeholders undertaking many different activities and roles. Deficiency or lack of effectively functioning risk management, internal control and assurance processes and procedures leading to inefficient, weak, or inadequate processes and procedures, resulting in value reduction or loss of opportunity.

Risk evolution	Key opportunities	Balancing risk with return
Business complexity, reconfiguration of business models and the emergence of alternate technologies and business models are all increasing risk for operators. Expansion and broadening of business activities has increased the need for comprehensive and robust processes and procedures, with relevant control and verification activities. This trend is likely to continue.	A comprehensive and strong risk based control environment is an essential element of developing the business, protecting and enhancing value. Well positioned key controls can reduce cost, inefficiency and waste, as well as maximize revenue and cash generation opportunities. Opportunities exist in Millicom to further develop and enhance processes and implement increasingly sophisticated and standardized controls. Assurance activities can identify opportunities to reduce risk and increase value through efficiency and sharing of best practice.	Millicom follows a risk based approach toward developing and implementing processes and control activities. Developing high risk businesses or parts of the business are subject to a higher level of skill support, and validation. Millicom uses a Group-wide maturity scale to benchmark and target control improvements, and the allocation of resources. This approach is supported with a tone-at-the-top culture focused on responsible and profitable growth. Internal audit activites are determined using a risk-based approach and designed to ensure a diverse spread of operational and geograhical coverage. Risk, control and assurance activities are overseen by the Audit Committee on behalf of the Board of Directors.

Compliance with rules, regulations, policies and procedures

The legal and regulatory environment, expanded complexity and scope of Millicom's businesses, as well as the needs and demands of stakeholders are driving the need for comprehensive, effective and efficient compliance programs and procedures.

Risk evolution	Key opportunities	Balancing risk with return
Rules and regulations and related compliance risk is inherently increasing over time as rules and regulations on Millicom businesses evolve and and processes of enforcement by governments and regulators develop.	Rules and regulations can assist businesses with strong ethical and compliance cultures to facilitate fair and open competition on level playing fields.	Millicom's legal and compliance functions work closely together to monitor changes in relevant rules and regulations, and take action to develop and strengthen internal controls to manage compliance related risk.
Millicom's governance and oversight over compliance activities has been significantly strengthened in 2016 with the activities of the Compliance and Business Conduct Committee and hiring of the Chief Ethics and Compliance Officer.	Millicom's approach and communication on doing business in the right way reach into the communities in which we operate and have the ability to transform the way in which our business partners work with us. These benefits directly flow to our reputation and positively impact our brand.	Key compliance related risks are monitored on a regular basis both at country and central level. The central compliance function is supported by a network of in-country complaicne officers.
Compliance risk assesments and action programs performed in 2016 have enhanced the compliance culture of the Group and reduced the risk of non-compliance.	A strong compliance based culture reduces risk of penalties, fines or operational issues related to non-compliance.	Key risks identified are raised to senior management and at Board level for discussion and decision making regarding allocation of resources to mitigate and manage compliance risks. A zero-tolerance appraoch has been taken toward compliance related matters.

Risk management – continued

Attracting, developing and retaining the right people

Lack of required skills and experience, lack of engagement leading to underperformance and high turnover, lack of or misaligned incentives that encourage unwanted behavior.

Risk evolution	Key opportunities	Balancing risk with return
Stability of senior management. In recent years, Millicom has experienced a high rate of turnover of senior management in both central functions and in its countries. This risk has declined over 2016 with the appointment of additional key positions in Strategy, Operations and Compliance. In addition, a reset of many of the key human resource related initiatives around development, training and performance management are currently being deployed.	Significant opportunities exist to stabilize senior level turnover through a combination of improved talent management programs, including compensation clearly aligned to strategic objectives, training, and succession planning.	Millicom uses a variety of internal and external measures to align Group, operating business and personal performance and achievement of objectives in its reward-based compensation strategy. Millicom's Board and its Committees take an active role in the recruitment of Executive Management, and oversee the performance of the CEO.
Compensation transparency and alignment with shareholder returns. Remuneration of global senior managers is an increasing focus of shareholders across a wide variety of industries. Personal bonuses and discretionary compensation in businesses which are experiencing compliance issues or shareholder value decline, are driving a change in compensation plans increasingly linked to future performance and shareholder returns.	The transparent setting of executive remuneration (including variable compensation) against a balanced longer term achievement of strategic objectives more closely aligns company performance and value creation to shareholder returns.	Millicom uses a mix of individual and performance-based criteria linked to individual locations against clearly measurable financial targets, and against a peer group. Achievement hurdle levels for variable remuneration are set levels that incentivize above a high-level of achievement against objectives.
Acquiring and retaining diverse talent. Millicom's history and geographic locations have resulted in a strongly diversified workforce, a key contributor to its success and its future objectives.	Diverse organizations have better financial returns, innovation potential, and high-performance culture. We must be able to attract diverse people and talent. As millennials increasingly want to work for a responsible company, Millicom is strongly positioned to attract talent from this Group.	While gender diversity among senior managers is increasing, this year our activities have focused on diversity and inclusion trainings for executives. A training program targeting all managers started in November in Guatemala and will be rolled out elsewhere in 2017.

Risk management – continued

Safety of our people

The vast majority of Millicom employees live and work in emerging market economies. Many of these countries have security issues, including civil unrest, armed and organized criminal activity and, to a lesser extent, threat of terrorism. As a result, Millicom employees, in carrying out their daily jobs, are exposed to situations which may threaten their personal security.

Risk evolution	Key opportunities	Balancing risk with return
Personal security remains on ongoing concern in many of our markets. Millicom's markets are often subject to issues of personal security, including social and civil unrest, threats from terrorism or organized crime. In addition, as a result of sometimes poor infrastructure or undeveloped health and safety regulations and regimes, personal security can often be a significant issue for our people and those of the third parties that support our activities. Rising levels of organized crime created significant instability in some of our markets in 2016, such as El Salvador and Chad.	The health, safety and security of our people is a foremost concern in the strategies adopted and our implementation methods. Opportunities exist to partner with governments and local organizations to protect the safety of all people in the communities in which we operate. For example, in Guatemala we cooperate with local municipalities in providing security monitoring systems, and in Colombia we supply equipment and connectivity to law enforcement officials.	Millicom manages the security, health, safety and wellbeing of staff based on international (OHSAS) standards, industry best practice, as well as advice and support from local authorities. With a central security and safety team, we have empowered and trained operational teams to deliver compliance with the Group standards. Every market has a professionally trained and certified physical security and health and safety officer. All our third party partners are bound by contract to abide by Millicom Group security and safety standards.

Latin America performance review

Regional overview

In 2016, Latin America contributed 86% of Millicom's Group revenue. We are a market leading Telecom provider in Colombia, El Salvador, Honduras, Guatemala, Nicaragua, Costa Rica, Bolivia and Paraguay.

Unlocking digital Latin America

In 2016, we had more than 32 million mobile customers of which 11.8 million are smartphone data users – 2.2 million more than at the end of 2015. We have now launched 4G in all our Latin American markets and our high-ARPU 4G customer base grew four-fold during the year, to more than 3.4 million. Our fiber-optic cables pass more than 8 million homes. Some 3.7 million people subscribe to our MFS services, and with 20 million smartphone subscribers, our smartphone penetration now sits at 62.5%.

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 saw continuing erosion of our Voice and SMS revenues in the region, reflecting the changing patterns of customer usage seen in mobile markets globally. This constrained growth of our total service revenue in LatAm in the year.

Total revenue in LatAm declined by -1.8% in 2016 on an organic basis, to US$5,352 million. Service revenue declined by -0.2% year-on-year, to US$4,966 million. The steeper fall in total revenue was due to lower handset sales revenue, mainly reflecting the proportion of lower value handsets in the mix, and fewer direct handset sales.

Delivering on our strategy, mobile data revenue grew organically by 22.7% to US$1,221 million. Voice and SMS service revenue fell by 15.2% to US$1,727 million.

We have increased investment in 4G and cable roll-outs and a focused IT transformation. Total cable service revenue grew by 7.4% year-on-year, with fixed B2B revenue increasing by 3.6% and cable home revenue growing by 9.7% organically in the year.

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

Capital expenditure decreased by 17% in the full year to US$867 million, compared to US$1,045 million in 2015, again mainly reflecting the tighter focus of the investment program on core growth areas of HFC and 4G. Around 47% of this capital expenditure was invested in the fixed network and 39% in the mobile network.

Operating cash flow in Latin America in the full year grew by 3.3% year-on-year to US$1,197 million.

Over the past year, market conditions have remained challenging in several mobile markets, particularly in Colombia, where macro-economic headwinds and continuing competitive pressures accelerated a decline in revenues. This significantly constrained our growth in the year, but we are holding to our principles of differentiation and customer experience to maintain a competitive position while maintaining price discipline, driving operational and Capex efficiency gains, and improving cash generation.

As a business, we are leaner and more efficient than ever. In the past year we have forged new strategic partnerships with major Digital Lifestyle players, such as Netflix, Deezer and Microsoft to give our customers an even better service across multiple platforms.

We believe Latin America is on the cusp of a digital explosion, which will give us tremendous new opportunities, and to maximize these opportunities, we focus on four key objectives: we invest in our network; we innovate digital services for our customers; we champion digital inclusion and responsibility; and we transform our business and the communities where we operate.

> Our operations are leaner and more efficient than ever."

Latin America performance review – continued

Investment
We are building the digital infrastructure, home passes, network and data centers across all our countries. In our mobile markets, we now reach 40% 4G population coverage. At the same time we are also focused on operational leverage, reconfiguring our cost base to make our operations more efficient.

Innovation
Driving digital adoption requires an innovative approach. In El Salvador, for example, we have launched the **"All you can App"**. This is a totally new way of allowing mobile data consumption in a prepaid environment. We know that our customers don't really "buy" or "value" megabytes or "bits", so we have simply given them unlimited use of the App or Apps of their choice, for a limited time and a fixed price. This is both an innovative approach and innovative pricing.

Innovation helps drive digital demand by enhancing our consumers' access to digital destinations.

Digital inclusion and responsibility
It is not just about digital highways and vehicles and innovative pricing and payment methods. It is also about digitally educating consumers about the benefits of the internet, as well as supporting knowledge building.

For instance, we have installed Telecentros or digital training centers in Paraguay targeted at future internet users. The project saw the deployment of 170 shipping containers, fully equipped with IT services and internet, to rural schools across the country. This has reached thousands of teachers and pupils, who will form a new generation of digitally-savvy users.

As an industry, we need to do more of this. And do more to ensure responsible digital behavior through child online protection efforts. And do more on transparency in data information – so that consumers increasingly trust our industry as the highway towards a digital economy.

Transformation
This immense transformation to a digital future in our societies also demands a transformation of us, the players, who are here to provide the infrastructure upon which digital societies and economies will be built.

There is no digital society or digital future without us operators. For all this, we must not forget that unlocking The Digital Lifestyle™ in Latin America requires a consolidated effort from all sectors; from the government and regulatory bodies to the private sector, digital industry and society itself.

Latin America in figures

KPI ('000)	FY 2016	FY 2015	YOY change %[1]
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 RGU	**3,694**	3,244	13.9

Financial	FY 2016	FY 2015	YOY change %[1]
Mobile ARPU (US$)	**8.3**	9.2	(6.0)
Mobile data ARPU (US$)	**8.2**	7.9	8.8
Residential cable ARPU (US$)	**26.9**	27.2	6.7
Total revenue (US$m)	**5,352**	5,740	(1.8)
Service revenue (US$m)	**4,966**	5,237	(0.2)
Of which Mobile data service revenue (US$m)	**1,221**	1,035	22.7
Of which cable service revenue (US$m)	**1,572**	1,578	7.4
EBITDA (US$m)	**2,063**	2,204	(2.2)
EBITDA margin (%)	**38.5**	38.4	0.2pt
OCF[2] (US$m)	**1,197**	1,158	3.3

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.
2 Capex excludes spectrum and license costs.

Latin America performance review – continued

Colombia

> Cable revenue increased as we maintained the roll-out of our network."

In our largest market, Colombia, the economy has been sluggish in 2016, whilst competition has intensified in the mobile market. Despite this, TigoUne has made solid progress.

We continued with our strong competitive position and strengthened our operational efficiencies despite these more difficult market conditions. Our mobile data leadership allowed us to partially offset the drop in mobile legacy service revenues and the aggressive price competition in the pre-paid mobile market.

More than one-third of our customers in Colombia are now mobile data users thanks to growing smartphone penetration, combined with innovative and effective mobile data offers. We have also seen strong growth in our 4G customers and our network now covers more than half the entire population (47 million).

Cable revenue also increased, as we continued the roll-out of our network. Customer connections included a substantial number of existing copper customers migrating to HFC as their homes were passed, as well as gaining new customers.

The growth in the number of double and triple-play customers continued, a momentum fuelled by our partnership with Netflix, offering content to customers on triple-play plans.

Our B2B services support many of the multinationals that use Colombia as their hub for the region.

As a significant employer in the country, we work with the Colombian government on a range of digital and corporate responsibility initiatives, including digital inclusion and smart city projects.

	FY 2016	FY 2015	YOY change %[1]
Mobile customers ('000)	**7,764**	8,926	(13.0)
Total revenue (US$m)	**1,717**	1,982	(3.2)
Service revenue (US$m)	**1,580**	1,776	(0.5)
EBITDA (US$m)	**461**	545	(5.2)
EBITDA margin (%)	**26.9**	27.5	(0.6pt)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

Supplier capacity building

To promote responsible business practice more widely and to protect our reputation, we demand that our suppliers apply the same high ethical standards in their operations as we do. Following initial assessments of responsible business management of strategic suppliers in Colombia with EcoVadis, TigoUne engaged in 2016 with two suppliers to develop detailed improvement plans to address some concerns raised in the assessment. Both suppliers were able to address these and increase their EcoVadis sustainability performance ratings.

Read more about our responsible supply chain management approach and EcoVadis assessments on **page 78**

Latin America performance review – continued

Guatemala

> Mobile data growth remained solid, with new 4G services launched during the year."

Overall, the business delivered solid results in 2016, with mobile data growth and strong coverage expansion in 4G services.

Our operation in Guatemala is leading the way with mobile data usage, reaching revenue growth in this category of 35% ahead of the previous year. The Home business grew by over 37% ahead of the previous year which, importantly, also contributed to EBITDA growth. We continue to invest in cable and today we have the largest HFC network in the country. In 2016, the launch of Tigo Play and the introduction of our Netflix-based promotion helped to support the multi-screen habits of our customers. The number of homes passed increased by 12.6% in 2016. Incoming international traffic has continued to decline, following a common trend across all the markets and, as a result, service revenues showed a shortfall of -1.7%.

Tigo Guatemala has focused on enhancing customer experience through initiatives such as launching digital self-service channels, on Capex investments to achieve and maintain the best data network and providing easy and effective ways for customers to connect with our brand, such as new express support centers and Tigo stores.

Our MFS services grew 43.1% focused mainly on payment services and reaching more than 500,000 monthly users. Our B2B team continued to create new services for clients, including enhanced cloud and ICT solutions. The team held its third annual Tigo Business Forum in September 2016 with lively, informed debates regarding m-Commerce development.

Overall, the Company has been able to maintain good profitability and cash generation, with rigorous capital management. It continues to be focused on developing and retaining its talent, also winning a Great Places to Work award.

	FY 2016	FY 2015	YOY change %[1]
Mobile customers ('000)	**9,468**	8,798	7.6
Total revenue (US$m)	**1,284**	1,306	(2.2)
Service revenue (US$m)	**1,143**	1,156	(1.7)
EBITDA (US$m)	**631**	651	(3.7)
EBITDA margin (%)	**49.2**	49.9	(0.7pt)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

Mobile monitoring system for schools

TIGO Guatemala through FUNDACION TIGO, in partnership with the Ministry of Education, has created an online platform to monitor absentee rates of children in specific schools or regions. Teachers are given mobile phones through which they record daily attendance of students. Information is sent to a centralized database that allows for analysis of the data.

The analysis can be accessed by principals, heads of school districts and the Ministry of Education. Through this tool the ministry can follow absenteeism, and can gain a better understanding of why the children are not in class. This helps more effective action to reach the Ministry's school attendance goals. For 2017, the aim is to have 273 schools included in the program, monitoring around 41,000 children's attendance.

Read more about our child online protection and digital inclusion programs **see pages 64, 80-83**

GSMA children's use of mobile devices

Research into how children use mobile devices and internet is rare in emerging markets. In 2016, Tigo published results of research conducted with GSMA, the international mobile trade association, on the use of mobile phones by children in Honduras. Results echo findings in Europe and feedback from children confirms some of the concerns of their parents.

- 90% of children obtain their first smartphone between the ages of 8 and 15
- 65% of parents said that keeping in contact with their children and possible emergencies are the main reason they provide their children with phones
- 37% of parents have not discussed with their children rules of usage of their phones, and though parental controls are considered important, they are not widely used (57% do not use parental controls)
- 67% of children make friends on social media with people they do not know in real life, and 43% have public profiles on social media

Read more about our work in child online protection **see pages 64-66** and here

Latin America performance review – continued

Paraguay

Growth and foreign exchange have been volatile due to the country's dependence on soya bean exports and strong commercial ties with its neighboring country Brazil.

We continued to improve our business performance, with 4.6% organic service revenue growth. Continuing 4G momentum, following its launch in April this year, drove strong growth in data usage, more than offsetting the decline in voice and SMS revenues.

The decrease in the total customer base mainly reflected the loss of very low ARPU pre-pay customers acquired during previous promotions, and had no impact on revenue growth.

The cable network build-out continued on track, with network penetration and higher RGU delivering strong cable revenue growth.

EBITDA in Paraguay increased by 3.6% on an organic basis and the EBITDA margin expanded, reflecting a strong focus on execution, both above and below the line. In July, we launched a downloadable App for smartphones to give our customers comprehensive access to our hugely popular Latin American, 24/7 sports channel.

Users of Tigo's Mobile Money wallet have grown 8.7% since last year and subscribers to our app grew at more than 5% per month.

Tigo Business Paraguay's first UPTIME Tier 3 certified data center was awarded "Best Modular Implementation" by Data Center Dynamics (DCD), a specialist data center magazine with a global reach.

As part of our global commitment to empowering women, we signed the GSMA's Connected Women Commitment Initiative in September – the first operator in Latin America to do so. Our goal is to increase the proportion of women using mobile internet and our Tigo Money savings products.

"With its new data center, Tigo Business Paraguay will expand into business services such as co-location and cloud solutions to support its business clients"

Investing in success

Millicom is deploying and modernizing both fixed and mobile networks to fulfill the growing demand from Paraguayans to connect to the internet.

In 2016, Tigo Paraguay launched its first 4G services in the country, a new state of the art data center and acquired TV Cable Paraná , a cable platform in Ciudad del Este, Paraguay's second largest city. These inv estments further extend our cable footprint and grow our customer base across both consumer and business segments.

	FY 2016	FY 2015	YOY change %[1]
MFS revenue growth (decline) (%)	**(2.2)**		
Mobile customers ('000)	**3,635**	3,936	(7.6)
Total revenue (US$m)	**623**	673	1.3
Service revenue (US$m)	**583**	610	4.6
EBITDA (US$m)	**289**	305	3.6
EBITDA margin (%)	**46.4**	45.3	1.0pt

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197..

Program for high potential women

To improve gender diversity among senior management in Paraguay, the country management team created a dedicated leadership program for high potential women in the organization to help build the internal talent pool and empower more women to move to senior roles.

Since 2015, 51 women have participated in the program, which seeks to develop and promote leadership skills. In this program candidates have attended workshops on different topics, such as challenging stereotypes, increasing self-awareness, harnessing leadership skills, and work-life balance.

Read more about our approach to promoting gender diversity across our Group **on pages 74-75**

Latin America performance review – continued

Honduras

> We will continue to invest, grow and collaborate to develop the sector, bring new technology and enhance digital opportunities for our customers and the community."

Honduras continues to be a market full of opportunities. Tigo is the number one mobile operator and the second largest cable and TV broadband provider in the country. This year Tigo Honduras celebrated its 20th anniversary.

Tigo Star had a 25.6% growth in revenues along with an increase of approximately 15% in its Home Passes. The Smartphone Data User base went up 33.6% and 4G Smartphone Users reached a 784% increase versus last year.

The market is seeing a strong shift in user habits as more consumers migrate to online and on demand content.

The B2B Market has had moderate activity. Some key segments such as Government projects have been impacted by reduced funding or cancellations, despite a positive outlook in macro-economic figures.

Great progress was made in rolling out the fixed network, reaching more new cities and home passes.

Honduras has an active MFS market which has continued to grow revenues as well as wallet and app users. MFS will also support a new agreement with the World Food Program to more efficiently deliver economic aid for more than 116,000 families within the country.

Tigo has been particularly active in important social activities such as child online protection. In October, we hosted First Lady of Honduras Ana Garcia de Hernandez, Plan International, the Lady Lee Foundation, the GSMA, ICMEC and other leading organizations to jointly promote child online protection in a summit that was widely reported on national TV.

Also in October, Tigo volunteers completed their second term of school visits across the country to promote awareness of cyberbullying amongst young students, under the campaign hashtag **#NoAlCyberbullying**.

	FY 2016	FY 2015	YOY change %[1]
Mobile customers ('000)	**4,848**	4,846	0.0
Total revenue (US$m)	**609**	649	(2.5)
Service revenue (US$m)	**585**	617	(1.3)
EBITDA (US$m)	**256**	274	(2.6)
EBITDA margin (%)	**42.1**	42.2	(0.1pt)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

La Fábrica Smart

Tigo launched "La Fábrica Smart", an innovation contest and the first of its kind in Honduras, where university students compete in the development of new technology solutions and services. In its first edition, in 2014, participants were challenged to develop mobile apps related to education, environment, and health.

The winning mobile apps were made available in Google Play and iOS stores.

Now in its third year, contestants in 2016 were challenged to construct drones with the aim of promoting the development of robotics and automation in the country.

El Salvador

El Salvador has delivered solid results. The operation has been challenged by weak economic conditions and a regulatory and political landscape that included mandatory signal blocking since April 2016 around prisons and some urban areas.

Alongside the introduction of a number of additional security taxes, we have seen encouraging growth in the number of smartphones and mobile data users, delivering 12.6% on data revenues.

We now have 3.2 million mobile subscribers in the country, 8.6% up compared to 2015.

In our Home business, we have connected 9.3% more homes than we did in 2015. Cable & Digital revenue is up 6.7% compared to 2015. Home revenue is up 7.7% compared to 2015.

We also continue to improve operating efficiency alongside investing in improving the network infrastructure and we announced that 4G will be rolled out to customers in El Salvador during 2017.

	FY 2016	FY 2015	YOY change %[1]
Mobile data growth (%)	**12.6**		
Home revenue growth (%)	**7.7**		
Mobile customers ('000)	**3,213**	2,958	8.6
Total revenue (US$m)	**426**	450	(5.3)
Service revenue (US$m)	**400**	420	(4.7)
EBITDA (US$m)	**148**	169	(12.3)
EBITDA margin (%)	**34.7**	37.5	(2.8pt)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

El Salvador's 4G roll out

Tigo El Salvador has begun the roll out of 4G LTE technology around the country.

The new infrastructure investment underlines Tigo's commitment to meet growing demand in El Salvador for mobile data, new Apps and online services.

Read more here

Building a better future for home and at school

Tigo El Salvador has taken a lead in developing two ground-breaking employee volunteering programs.

Our "Adopt a School" project consists of rebuilding or refurbishing a school, with Tigo employees undertaking volunteering activities to make the schools operational.

We also signed a new memorandum of understanding with TECHO and SolucionES to benefit the Tiguapa Norte community, by building eight houses and the refurbishing of a digital center. The digital center will serve children and offer them ICT programs and courses. Tigo will contribute to the project both financially and with volunteering activities.

Karla Rivas, Tigo El Salvador Corporate Responsibility Director, says: "The volunteering program has improved the workplace environment, with better integrated, more motivated and happier employees".

Throughout the three months that we ran the program in 2016, 2,075 volunteering hours have been recorded, seven schools were helped and four houses built.

> El Salvador has the opportunity to be a strong digital force in Latin America and we want to progress connectivity and enable greater access to the internet."

Latin America performance review – continued

Bolivia

Our operation delivered a strong 2016, with overall service revenues 3% ahead of the previous year.

Mobile Data revenue increased 32.9% on the previous year, driven mainly by the roll-out of our 4G network, with around 43% of smartphone data users already using our 4G services. Mobile Data ARPU increased 19%.

The Home business maintains double digit growth of 31% and has positioned itself as the main cable provider in Bolivia. The B2B Fixed business tripled its customer base, reaching more than 900 customers, delivering revenue growth of 25.6%. Cable & Digital revenue growth was 29%. Tigo Money is proving a huge success and this year we have opened the ecosystem to enable customers to use the service across providers.

EBITDA increased by 9% on an organic basis, reflecting a significant reduction in operating costs as well as strong service revenue growth in our key revenue streams: Data, Fixed and MFS.

Mobile money and banks in partnership

Bolivia has launched new online banking services enabling customers to transfer and receive money from a wider banking community via Tigo Money, simplifying their transactions and saving time.

Read more here

"The roll-out of 4G in Bolivia is generating significantly increasing data traffic."

	FY 2016	FY 2015	YOY change %[1]
Mobile customers ('000)	**3,076**	3,121	(1.4)
Total revenue (US$m)	**542**	531	2.1
Service revenue (US$m)	**525**	511	2.7
EBITDA (US$m)	**214**	197	9.0
EBITDA margin (%)	**39.5**	37.0	2.5pt

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

Digital classrooms to enable children with disabilities to communicate

In Bolivia, as part of our wider program to work with people with disabilities, we have developed a "Digital Classrooms" project. We have opened 20 classrooms specifically designed for children with disabilities to communicate and learn through digital tools.

The room will allow them to accelerate their social integration by having equal access to and benefits of digital technology. Today we have over 2,000 beneficiaries of the Digital Classroom program.

Tigo Bolivia is also leading the way in building inclusive operations, with its customer service employees undertaking training in sign language.

Latin America performance review – continued

Costa Rica

"Helping our customers interact easily with the brand and driving efficiencies were key goals in 2016."

Tigo maintains a solid position as Costa Rica's leading PayTV operator where our DTH product grew by 40% to more than 50,000 subscribers.

Revenue in the business segment grew by 5.4% with EBITDA margins remaining strong at 43%.

We connected 250,000 homes, with 610,000 passed.

This year the focus has been on accelerating digital TV and DTH and continuing to grow broadband penetration, with more customers buying home bundles.

Helping our customers interact easily with the brand and driving efficiencies were key goals in 2016 and new services such as a self-service app and paperless sales processes are continuing to orientate the business in this direction.

Tigo Costa Rica is pioneering an internal poverty assistance program which identifies employees with socio-economic vulnerabilities and creates strategies to assist them. To date 175 people were engaged, and 37 were supported in gaining a formal high school qualification.

	FY 2016	FY 2015	YOY change %[1]
Mobile customers ('000)	**N/A**	N/A	
Total revenue (US$m)	**153**	151	3.1
Service revenue (US$m)	**151**	150	2.8
EBITDA (US$m)	**58**	58	1.5
EBITDA margin (%)	**37.7**	38.3	(0.6pt)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.

Promoting diversity

In 2016, Tigo Costa Rica joined a number of leading companies in the country to sign the Declaration of San Jose, in which we commit to ensuring that we have a workspace free of discrimination towards the LBGTI community.

Our human resources department was given a training session by the NGO AED with support from the Canadian Embassy on best practices. A toolkit to help the recruitment process of LGBTI individuals has also been produced and is in use.

Read more about our work on diversity **see pages 74-75**

Creador del Cambio Digital

In Costa Rica, Tigo launched the program "Creador del Cambio Digital" (Tigo Digital Changemaker). A program developed jointly with a local financial institution (Coopeservidores) that invites people to present ideas on how digital tools can solve social and environmental challenges.

The winning entrepreneurs have support from the University of Costa Rica to implement their projects.

Read more about our work on social investment **see pages 80-83**

Africa performance review

Africa performance review

Regional overview

In Africa, we operate in five countries where we capture almost 14% of Millicom's annual revenue. Following the disposal of our Democratic Republic of Congo market in early 2016, these countries are Tanzania, Chad, Ghana, Rwanda and Senegal. We see our role as delivering connectivity and access. Mobile operators are even more important here than in other parts of the world because fixed line penetration is very low.

We serve some 25.4 million customers and our core strategy revolves around the principles of accelerating and growing mobile data, B2B and fintech.

During the course of 2016, Africa has delivered on its strategy to accelerate growth. We remain focused on improving the all-round performance of our African operations, growing service revenue, expanding EBITDA margins, controlling capital expenditure and delivering positive operating cash flow (EBITDA less capital expenditure). African EBITDA of US$258 million increased by 47%, on revenue of US$896 million, up 14%.

Africa in figures

KPI ('000)	FY 2016	FY 2015	YOY change %[1]
Mobile customers	**25,407**	30,002	(15.3)
Of which: Chad	**3,132**	2,981	5.1
DRC	**–-**	5,321	(100.0)
Ghana	**3,933**	4,086	(3.8)
Rwanda	**2,966**	2,775	6.9
Senegal	**3,646**	3,039	20.0
Tanzania	**10,743**	10,430	3.0
Zantel (Tanzania)	**988**	1,371	(28.0)
MFS customers	**8,078**	7,560	6.9

Financial	FY 2016	FY 2015	YOY change %[1]
Mobile ARPU (US$)	**2.5**	2.7	(0.5)
MFS ARPU (US$)	**1.1**	1.2	3.4
Total revenue (US$m)	**896**	829	14.3
Service revenue (US$m)	**889**	816	15.2
EBITDA (US$m)	**258**	184	47.2
EBITDA margin (%)	**28.7**	22.1	6.6pt
Capex[2] (US$m)	**160**	218	(27.2)

1 YOY change % represents organic growth. See Alternative Performance Measures ("APMs") page 197.
2 Capex excludes spectrum and license costs.

This strong performance was fueled by an increase in mobile data revenues and usage. We added 1.4m mobile data users in the year, bringing the total to 6.9m.

Our burgeoning B2B service, has also driven growth. We have signed some significant contracts with clients including large corporations, embassies and governments seeking to digitize their services. We have reinvigorated our dedicated B2B routes to market, and expanded our channel capacity in account management and sales agents to talk to B2B customers. We have seen excellent results and a 40% growth year on year. During the year we have also invested in data centers in Senegal and Chad to service Tigo's internal needs and those of external business clients seeking secure robust data services.

MFS was also a major contributor to growth, with the number of subscribers at eight million – up 18.4% on last year.

During the first half of 2016, we focused on transforming the cost base of all the African operations, ensuring that we have an efficient, sustainable operational platform with the right people, the right products and the right channels working effectively to drive revenue.

In previous years, we have made significant investments in the network to grow coverage and improve quality and speed, with a clear focus on the data business. This year, we aimed to capitalize on our investments and focus on maximizing utilization of the network and growing our customer base. Therefore our capital investment was lower in 2016 than in previous years.

Our work empowering people and promoting social and financial inclusion is particularly relevant in Africa. For example, all of Millicom's operations in Africa led the way in committing to the GSMA's Connected Women Commitment Initiative. As part of the commitment, the Africa operations are working to increase the proportion of their female customers using services such as Mobile Money. Tigo Chad has also committed to increase the proportion of female customers using mobile internet.

Africa performance review – continued

Child birth registration: Tigo Ghana featured at UN General Assembly

UNICEF estimate that more than 50 million children are born into invisibility each year and that 230 million children under the age of five have not been officially registered. This is despite numerous international treaties calling for the rights of such children to be recognized.

In addition to establishing a child's identity, birth registration acts as an enabler for a multitude of development outcomes including access to healthcare, education and social protection. Mobile technology has an increasingly important role to play in speeding up progress with birth registration and the provision of unique identities to the most underserved, especially in sub-Saharan Africa.

In Tanzania only 13% of children under five years own a birth certificate. That is why in Tanzania, Tigo partnered with The Registration Insolvency and Trusteeship Agency (RITA) and UNICEF to create and develop a mobile birth registration system which aims to scale up birth registration for young children. The application that Tigo developed and deployed is designed to work with even the most basic feature phones.

Since the first launch in the Mbeya region, the program has been extended to four other regions, designed further new android App functionality and has issued birth certificates to over 780,000 children under five years. Plans are underway to reach ten regions in Tanzania.

Following this success, the program has been replicated in other countries and this year Tigo, UNICEF, Ghana and the Births and Deaths Registry were recognized at the United Nations General Assembly. The app was featured in a video and presentation to the audience, which included Ghana's former president, John Dramani Mahama.

Read more about our work on child protection **on pages 64-66**

Watch our work on child birth registration here

Africa performance review – continued

Tanzania

Tanzania is our biggest market where Tigo is the market leader in terms of subscribers. Millicom-owned Zantel is also the leading brand in Zanzibar. Our main focus this year has been to improve the data experience for our customers and to enhance our network, providing faster and better ways of connecting and accessing mobile data.

Tigo has a total of 11.7 million customers. Tigo now has a 4G network in every region of the country, the first operator to do so, giving customers greater speed and online access.

Tigo continued to encourage smartphone penetration, offering attractive promotions for data users such as WhatsApp and YouTube bundles.

Tigo Tanzania is a leader in MFS and in 2016 became the first operator in the world to offer interoperability with all other major operators. Indeed, a recent report by the World Bank named Tanzania as a world leader in Mobile Financial Services and Tigo Tanzania's mobile transfer service was accredited for being a large part of this accomplishment.

Following the acquisition of an 85% stake in Zantel in 2015, our market share has grown strongly in Zanzibar. Our customers have benefited from the roll-out of high-speed 4G services and brand strength has improved along with greater cost efficiencies. It has also delivered a new income stream from wholesale data delivery.

"Tigo now has a 4G network in every region of Tanzania."

Connecting education

As part of our commitment to digital inclusion and enabling a more connected world, Tigo Tanzania donated computers to secondary schools in Masasi, Tandahimba and Sino. These computers will provide students with online access, enabling them to learn more about search tools, technology, and online security.

In addition we supplied vital laboratory equipment to Chato Secondary School in Geita region.

In support of the government's effort to offset the existing countrywide shortage of desks in primary schools, we also donated 1,250 desks countrywide.

Read more about our social investment projects **on pages 80-83**

Chad

Chad had a good performance this year. Revenue grew by 10.1% year on year. The subscriber base increased slightly on last year by 5% to reach over 3 million subscribers and mobile data continued to experience strong momentum through the extension of 4G to the whole of N'Djamena. EBITDA also grew by 71%.

In 2016, we delivered on our objective of tapping into opportunities in the B2B sector and launched new B2B services. We also opened Chad's first state-of-the-art data center, part of our strategy of continued investment and expansion of infrastructure in the region. To ensure a high quality, safe environment for our people we also moved to a new HQ building in N'Djamena.

This year we also continued to ensure a quality, robust network for all our customers.

"in 2016, we opened Chad's first state-of-the-art data center."

MFS boosts digital trade

In Chad, most people contribute to at least one "Paare" or savings group. To meet the needs of savings groups across the country and especially those living in rural areas, we have designed Tigo Paare.

Tigo Paare helps groups send cash to family members, purchase products and trade digitally. It has quickly become a useful platform for connecting large groups with distant or roaming members.

Tigo Paare has been highly successful and is now supporting over 53,000 groups including farmers, such as Chad's cotton cooperatives, and healthcare mutual funds.

In particular, the solution is supporting women entrepreneurs such as the Women's Association of Fish Sellers through secure membership payment to the association. More than 600 members have benefited from advice and financial training.

Other markets

Revenue grew 12% in our other markets, Ghana, Rwanda and Senegal, where we continued to focus on growing our customer base, especially data customers to ensure we fully utilize our networks.

We registered more than 645,000 new mobile customers in these markets. We have focused on attracting higher value customers with dedicated services and this has delivered good growth in mobile data users, up 24%.

In Rwanda, we are democratizing access to data and services by cutting data fees to allow roaming for internet users and introducing the option to pay for smartphones in installments.

In Ghana, we pioneered the industry's first product and services in international Buy-Airtime.

Across all the markets our strategy to tap into the high potential B2B market is also delivering good results. In Ghana, for example, we launched roadshows to assist small and medium-sized businesses with their development.

In Senegal, we are supporting the government in its plan to transform the country into a hub of information and communication technologies with another state-of-the-art data center.

Payment solution for agriculture to improve tea farmers' lives

Tigo Rwanda launched the "Tigo payment solution for agriculture" platform increasing the financial and digital inclusion of over 10,000 tea farmers in two tea plantations located in Mulindin and Rusizi district.

The platform simplifies and improves the communication and banking arrangements of the local farmers. Tigo is also supporting the farmers to discover further benefits of internet-enabled devices.

Watch more on the project here

Tigo digital literacy bus

Tigo Senegal organized a "digital bus" which traveled through the country to give people the opportunity to learn how to use the internet. Access to the bus is free and a qualified team advises visitors on how to use the internet and discover the opportunities of the digital world.

A fruit trader in Mbour in the east of the country said: "I thank Tigo for allowing me to open my first Facebook account. The Tigo agent showed me how it worked and helped me to post my first picture. I have used this opportunity to buy a smartphone." More than 25,000 people visited the bus and got connected for free to the internet via Tigo network.

Corporate responsibility performance review

This section sets out our performance against our 2016 targets, key initiatives of 2016 in greater detail and long-term objectives for our most important eight corporate responsibility topics.

Growing responsibly and with purpose

Our mission at Millicom is not just to lead the adoption of The Digital Lifestyle™ in our markets. It is also essential that we grow responsibly and with purpose. Our corporate responsibility (CR) strategy and work are central to delivering our vision of empowering our customers and employees to advance in life and find joy.

Five year objectives	What we did in 2016	Read more
Measure the success and health of our company beyond financials	• Published our first integrated report to further clarify how CR strategy is embedded in our daily decision making • Expanded the scope of our data collection in environmental management and diversity and across our subsidiaries in Colombia and Zantel in Tanzania	See key performance indicators as outlined under each topic, from page 62 onwards.
Promote, protect and strengthen our reputation	• Finalized materiality assessments with local country stakeholders, and published country fact sheets in each market • Continued engagement with our investors, partners, governments and other key stakeholders on specific topics; including becoming observers of the Global Network Initiative and ESG visit in Colombia	Find out more about our materiality process on how we manage our CR on page 12. Our progress explained throughout this section
Demonstrate thought leadership in areas that link to business success	• Leadership in child online protection, with multi-stakeholder workshops, awareness and training programs to children, parents and teachers • Collaborated with UNICEF to create "mobile operators child rights impact assessment tool" to be used across the industry • First operator in Africa and LatAm to set targets to increase women in our customer base within the GSMA's Connected Women initiative	See child rights and online protection section on page 64 . See the diversity section on page 74.

Our eight most important CR topics

1. Privacy and freedom of expression

2. Child rights and online protection

3. Acting responsibly: anti-corruption compliance

4. Reducing our environmental footprint

5. Diversity

6. Taking care of our people: health and safety

7. Responsible supply chain management

8. Social investment

Growing responsibly and with purpose – continued

1. Privacy and freedom of expression

Progress in 2016

This year our focus has been on:

- Improving stakeholder engagement, especially supporting the merger of Telecommunications Industry Dialogue on Freedom of Expression and Privacy (TID) and Global Network Initiative (GNI) and building relationships with local human rights organizations
- Continuing to improve internal processes relating to law enforcement assistance and 'major events' escalation

As our customer base and services we provide to them increase, so does the focus on and reputational risk associated with requests from law enforcement to communications companies for surveillance and customer data. Our priority is to ensure we achieve the right balance between our obligation to respect local laws and supporting governments in the legitimate aims to protect their citizens, and our responsibility to respect the privacy of our customers.

Millicom is committed to being transparent about how we deal with requests from governments and law enforcement agencies.

In 2016, we continued to advocate for clear and transparent legal frameworks around surveillance, aligned to the principles of proportionality and necessity. We contributed to furthering the understanding around the issues telecommunication companies face and the context in which decisions are made through our first Law Enforcement Disclosure report, published in April 2016. We also made further improvements to our internal operating procedures and controls relating to law enforcement assistance, and ensuring that any 'major events' were escalated to regional and global management for attention and support.

Ongoing industry dialogue

Millicom is one of the founding members of Telecommunications Industry Dialogue (TID), an industry group jointly addressing issues of privacy and freedom of expression as they relate to the telecommunication sector. In 2016, TID met face-to-face once a quarter as well as weekly by phone. Our detailed progress in implementing the Principles of the TID can be found in our Law Enforcement Disclosure report 2016.

In March, we became observers of the Global Network Initiative (GNI), a multi-stakeholder initiative focusing on internet freedom, with the aim of joining as full members in March 2017. The drivers of our membership of GNI were to build joint leverage with companies across the ICT ecosystem, shared learning and best practices, strengthened policy advocacy and benefit from a multi-stakeholder approach – and to put our processes to test through the GNI independent assessment. Membership will allow us to fully participate in what we consider to be a critical debate with more than 50 organizations, human rights experts, investors, academics and internet companies.

The first year of our three-year donations agreement with international human rights organization Civil Rights Defenders focused on sharing information of developments in our two regions and connecting with local human rights organizations in some of our key markets, such as Tanzania and Colombia.

Improving our internal processes

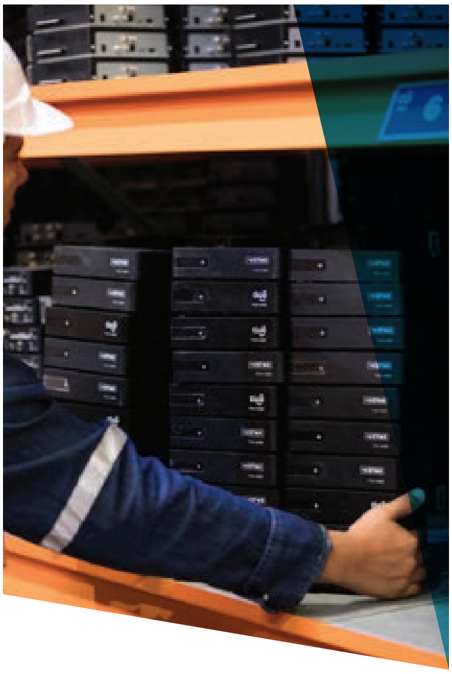
All of our operations conducted self-assessments on their alignment with the Group Law Enforcement Assistance Guidelines and controls, as outlined in our internal control manual. We commissioned reports on the legal frameworks and government powers on surveillance from all our markets not covered by previous reports by TID or its members. These reports will be published under the Creative Commons license in 2017.

In 2016, we also established an internal working group on data privacy and protection, with the aim to create one comprehensive data privacy framework for the Group and to set global policies and training for data privacy.

A global policy aligned to international best practice will mean going beyond the requirement of the law in a great majority of our operating markets.

Our aim is to be able to significantly increase transparency in 2017 on our policies and approach to data privacy and protection and on what data we collect and why.

Read more about our progress in implementing the Principles of the TID and our work on privacy and freedom of expression in our Law Enforcement Disclosure report 2016 here



Growing responsibly and with purpose – continued

1. Privacy and freedom of expression

Key
- Completed/achieved
- In progress

Our performance

Five-year plan objectives (by 2018):

- Complete an external assessment of Millicom's policies and processes relating to privacy and freedom of expression

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Policy implementation	**Continue to support specific operations to implement Group guidelines to manage law enforcement requests**	In progress	We supported all operations in clarifying requirements of the Group guidelines, and implementing these; resulting in all assessed operations rising to a mature level of controls.	% of operations with controls systematically applied in line with the Group guideline[1]	N/A	45%	**92%**	All operations to have controls assessed and systematically applied in line with the Group guideline
Law enforcement requests	**Publish Law Enforcement Disclosure (LED) report**	Completed/achieved	Our first stand-alone LED report was published in April 2016.	Total number of law enforcement requests (Group)	N/A	39,418	**47,632**	Conduct human rights impact assessment focused on privacy and freedom of expression in all our LatAm operations
				Number of major events[3]	2	20	**18**[2]	

1 2015 data disclosed this year based on 11 operations who completed the self-assessment, excluding Tigo DRC which was sold at the beginning of 2016, and Colombia and Zantel as integration continued in 2015. 2016 data is based on 12 operations, excluding Zantel, as integration continued in 2016.
2 This number does not include requests to block access to child sexual abuse content (applicable only to Colombia in 2016).

Number of law enforcement requests

Region	Interception	Customer metadata	MFS	Content takedown
LatAm	927	39,279	267	0
Africa	5	6,827	326	1

Overview of major events[3] by type

Type of event	Occurrences in 2016
Shutdown of services	8
Proposals for significant changes in local laws	5
Proposals for significant changes in technical or operational procedures	2
Disproportionate interception or customer data requests	1
Politically motivated messages	1
Other	1

3 Data reported for financial year, including 2016 data. This also applies to the "Overview of major events by type" table data below. "Major events" can include requests for shutdown of specific base station sites, geographical areas or entire network, service denial or restriction (SMS, mobile/fixed internet, social media channels), interception requests outside of due process, targeted take-down or blocking of specific content, denial of access for specific individuals, significant changes relating to surveillance techniques or operational processes (direct access or how local surveillance laws are implemented in practice), significant changes to local laws relating to government powers of surveillance or data retention, or requests to send politically motivated messages to customers on behalf of the government.

Growing responsibly and with purpose – continued

2. Child rights and online protection

Progress in 2016

This year our focus has been on:

- Finalizing the child rights tools for our sector with UNICEF, and conducting further assessments in LatAm
- Creating a holistic approach to child online protection (COP) in LatAm

Our work over the past years has positioned us as a strong leader on child protection within our industry, re-affirmed in our materiality assessment with our key stakeholders in 2015. Building on our understanding of how our daily work may impact children's lives, our initiatives focus on managing operational risks around child rights and actions to build safer environments online for children.

Promoting child rights

In 2014 we partnered with UNICEF to gain and promote greater awareness of the issue of child rights for our business. So far this collaboration has focused on jointly identifying key child rights issues in the digital sector and on creating tools for companies to identify and address their gaps and opportunities in managing their child rights impacts.

The Mobile Operator Child Rights Impact Assessment (MO CRIA) tool UNICEF and Millicom jointly developed, was launched in July 2016 and is available from UNICEF website for all telecom companies to use. To date, we conducted have five assessments using this tool, two in Africa and three in LatAm; Colombia, El Salvador and Bolivia.

Following the success of our mBirth project in Tanzania, mobile birth registration is now live in a number of our markets, including Ghana and Bolivia. See page 57 for our case study.

Strengthening child online protection

We want children to be able to harness the great benefits online access can bring them in education, social interaction, inclusion and self-expression while at the same time ensuring their interaction is safe.

We work with UNICEF and other expert partners to empower children to navigate the digital world more safely. To date, our workshops in seven countries in LatAm and Africa have brought together key decision-makers and influencers to promote consistent legal frameworks to protect children online – in particular to be able to jointly fight cyber-bullying and child sexual abuse content and its distribution. Some of our workshops have acted as catalysts to form multi-stakeholder national committees and have brought together all major telecommunication and internet service providers to promote collaboration for safe online experiences and fight child exploitation on the internet.

These workshops form a strong basis for our integrated approach to child online protection (COP).

To further raise awareness on this issue, we provide training and support materials to our customers, to children and teachers at schools and train our sales and customer service staff to be able to address any customer concerns.

We have also taken steps internally to make a bigger impact in the fight against child sexual abuse content online, explained in the following page.

- 1,826 child online protection (COP) training sessions conducted, reaching 122,000 children, 14,800 teachers and 13,000 parents
- Over 1,230 digital literacy training sessions for children and over 1,570 for adults
- 1,061 schools, universities and public institutions connected to the internet as part of our digital connectivity program
- Equipment of in-kind value around US$474,000 donated to enable digital connectivity
- Over 1,870 pieces of equipment such as tablets, smartphones and computers donated to 226 schools
- Over 900 members of our sales force have been trained on COP to date

Growing responsibly and with purpose – continued

2. Child rights and online protection

Supporting multi-stakeholder collaboration
We ignite dialog and collaboration on COP to ensure key stakeholders who are needed to protect children online – legislators, law enforcement, child rights experts and the tech industry – all understand the different issues of COP and their role in solving them. Two years ago, Tigo Paraguay hosted Latin America's first ever COP workshop and since then we have held similar events in Colombia, Bolivia, El Salvador and Costa Rica, as well as the first ever African-based workshop in Rwanda.

Building on the success of our previous workshops, in October 2016, we hosted 306 participants, including the First Lady of Honduras, the Lady Lee Foundation, the Minister of Education, CONATEL – the telecommunication regulator, UNICEF, GSMA, International Centre for Missing and Exploited Children, INHOPE, Plan International and industry peers for a COP summit in Honduras. A working group 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.

These workshops are followed up with a number of different work streams. For example, in Rwanda and Costa Rica, national committees on COP were established by the government, which continue to meet regularly. In El Salvador – through our Digital Ambassador's program – we have trained more than 10,000 people, including parents and teachers, on how to use the internet responsibly. We also delivered this training to our employees and their children. In Bolivia, Tigo took part in a nationwide campaign on COP, through which we reached thousands of customers to highlight the importance of responsible use of technology by children.

Fighting child sexual abuse content
As part of Millicom's commitment to fighting online child sexual abuse content (CSAC), we are taking action to prevent access to this content in our networks.

In 2016, we signed an agreement with Interpol to begin blocking access on our network to child sexual abuse content included on their "Worst Of" list. These CSAC sites are the only content we proactively block access to in our services.

We expect our LatAm operations to have blocking in place by the end of 2017.

Customer communication and training
Together with our partners, we provide training on COP to parents, teachers and to children as part of our volunteering activities across our operations in LatAm. These training workshops, supported by a wealth of materials tailored to the local context, emphasize the great potential the internet has for children's development when used responsibly and aware of related risks.

All 12 operations[1]
assessed against minimum age of hiring controls requirements of our internal control manual reported highest level of maturity for this control.

Through our partnership with UNICEF, we launched our "Safe Internet Manual" in several of our countries in LatAm. The materials contain important information on online safety and where to receive assistance for children or adults in risk situations. In El Salvador and Paraguay, we have distributed over 30,000 brochures to customers and, beginning next year, we will distribute another 30,000 printed and digital versions between Honduras and Bolivia to our clients who have children in their homes.

In partnership with the Costa Rican NGO Paniamor, we are providing a dedicated web portal on Tigo websites in operations, allowing our customers to learn how to be more content-aware parents, as their children access today's digital world. The portal will go live in 2017.

Training for our customer service and sales staff
Continuing our effort to reach out to our customers, we are training our sales force on the COP. We want our sales force to be aware of the importance of this to our customers and their children, and to be able to guide our customers to the best and safest ways to use our products and services.

1 All operations excluding Zantel. As we continue to align internal processes and systems for Zantel following our acquisition in late 2015, self-assessment campaigns start in 2017.

Growing responsibly and with purpose – continued

2. Child rights and online protection

Key
✓ Completed/achieved
– In progress

Our performance

Five-year plan objectives (by 2018):

- The mobile operator child rights impact assessment (MO CRIA) tool we jointly developed with UNICEF is used across the mobile operator community.
- Conduct the MO CRIA in all operations in Africa and 50% of operations in Latin America
- Integrate promotion of parental controls and distribution of safe internet into mobile, fixed and cable TV customer processes in Latin America
- Publish child online protection (COP) policy and accompanying guidelines, and roll out across all operations

Topic	2016 target	Status	Our progress	KPIs	2014	2015	2016	2017 target
Child labor policy compliance[1]	**All operations to have controls in place and systematically applied in line with the minimum age policy**	Completed/achieved	All 12 operations assessed report reached highest level of maturity against the controls.	% of operations with controls systematically applied in line with the minimum age policy	N/A	58%	**100%**[2]	All operations to continue to maintain systematic controls in line with the minimum age policy
Child rights impact assessments	**Conduct MO CRIA in three additional operations, including one in Colombia**	Completed/achieved	In addition to Colombia, we conducted assessments in El Salvador and Bolivia in 2016.	% of operations with child risk impact assessments conducted to date	0	17%	**38%**[3]	Action plans in place in all operations where MO CRIA has been completed
Child online protection	**Organize COP workshops with stakeholders in three operations**	In progress	We hosted one workshop in Honduras. Two planned workshops were postponed to 2017.	% of operations that have hosted a multi-stakeholder COP workshop to date	15%	46%	**54%**[4]	Organize COP workshops in Guatemala and Ghana
	Roll out customer materials and training on COP across Latin America	In progress	COP portal has been designed and will be rolled out to Tigo websites in 2017.	% of operations with a child online protection portal	New KPI for 2016		**0%**	All operations in LatAm to integrate a COP portal on Tigo websites
		In progress	We rolled out customer leaflets jointly developed with UNICEF in El Salvador and Paraguay.	% of operations in LatAm with customer leaflets on COP	New KPI for 2016		**29%**	At least three additional operations in LatAm to roll out customer leaflets
		In progress	We have conducted COP trainings across LatAm and in Ghana.	Number of children reached by COP training ('000)	New KPI for 2016		**122**	Increase number of children trained by 20%
	Block child sexual abuse content (CSAC)	In progress	We signed an agreement with Interpol and defined legal and technical approach for each operation.	% of operations in LatAm blocking child sexual abuse content	N/A	14%[5]	**14%**	Implement CSAC blocking in at least 50% of our operations across LatAm

1 When we published our minimum age policy in 2015, we reported two KPIs against targets around child labor policy compliance: number of operations completing self-assessment against controls in place, and those who report systematic controls as being in place. From 2016 onwards, the controls are self-assessed for each operation on annual basis and we will continue to report the maturity level only.
2 All operations excluding Zantel. As we continue to align internal processes and systems for Zantel following our acquisition in late 2015, self-assessment campaigns start in 2017.
3 Including assessments conducted in Tanzania and Rwanda in 2015; and Colombia, El Salvador and Bolivia in 2016.
4 Including the workshops hosted in Paraguay and Colombia in 2014; Bolivia, El Salvador, Costa Rica and Rwanda in 2015; and Honduras in 2016.
5 We restate 2015 number as our operations in Colombia already had CSAC blocking in place, in line with the country's legislative requirements.

Growing responsibly and with purpose – continued

3. Acting responsibly: anti-corruption compliance

Progress in 2016

This year our focus has been on:

- Appointing a new, dedicated Chief Ethics and Compliance Officer role
- Simplifying our compliance framework by adopting a three pillar approach: prevent, detect and respond
- Rolling out standardized compliance training across all operations

Millicom has a zero-tolerance policy towards any and all forms of bribery, corruption, extortion and fraud. We are committed to doing business the right way in every environment in which we operate.

We continued to further strengthen our compliance framework, including getting better understanding of compliance risks and increased engagement within the business.

We rolled out Group-wide, standardized training on our Code of Conduct ("the Code"), anti-bribery and anti-corruption (ABAC), and anti-money laundering (AML). We also strengthened our capabilities and internal controls around AML, with standardized training framework launched for all our Mobile Financial Services (MFS) staff.

Our new Chief Ethics and Compliance Officer, reports directly to our Board, with a dotted line to our CEO. Our governance structure can be found in the Governance section of this report, on pages 124-125.

Embedding a robust Code of Conduct

Our communication campaigns for current staff, as well as new starters, aim to have all employees acknowledge the Code formally and declare any potential conflicts of interest.

The mandatory Code training launched across all our operations with an easy-to-access online learning course and face-to-face sessions. By the end of 2016, 92%[1] of our employees completed the training on our Code, its application and how to raise any concerns around unethical behavior.

Building on the ABAC training delivered to senior management and high risk groups in 2015, we are further rolling out the ABAC training to staff at all levels.

Moving forward, the mandatory training will have to be completed by all employees annually. In 2017, we will be expanding our 90% completion target for Code training to ABAC training as well.

We also continued to promote our independently-run Millicom Ethics Line, which allows employees and third parties to raise concerns anonymously. As per our Code, we reiterate the protection of whistleblowers and our non-retaliation policy for all good faith reports of wrongdoing.

1 Excluding Comcel. Compliance is working closely with local management to roll out a tailored solution.

Strengthening our AML and anti-fraud capabilities

With the growth of our MFS business regulations are increasing in our markets around the monitoring and registration of MFS providers. We have further strengthened our internal capabilities and provided extensive support to our operations as part of our registration process and we are reinforcing our AML controls. We hired centralized resources for both of our regions to act as regional AML program managers.

We have a three-staged approach in ensuring we have a robust AML framework: our AML team continues to work closely with our internal control functions in conducting self-assessment campaigns against AML-related controls. Our regional AML program managers then conduct regular reviews of AML measures. Finally, our internal audit team conduct audits into the AML practices currently in place.

In 2016, we conducted internal audits in three of our largest MFS markets; El Salvador, Paraguay and Tanzania. Remediation plans were put in place and executed following the audits.

We also revised our AML training program, and delivered a standardized training program to all our local AML officers. In 2017, we will roll out this training program to all our MFS staff.

We have renewed our corporate membership of the Association of Certified Fraud Examiners with a higher tier, which means we have more ACFE members across our operations compared to our previous membership year.

We have a number of colleagues currently progressing towards the certified fraud examiner qualification and will increase this further in 2017 as we continue to professionalize our network.

In 2016, we achieved greater visibility on fraud through quarterly trend analyses. These fraud reports are then submitted to the Audit Committee of the Board.

> "81% of our employees acknowledged our Code of Conduct."

Growing responsibly and with purpose – continued

3. Acting responsibly: anti-corruption compliance

Key
- Completed/achieved
- In progress

Our performance

Five-year plan objectives (by 2018):
- Continue external and internal monitoring of the anti-bribery and anti-corruption (ABAC) program enhancements with a view to measure the maturity level of the compliance framework over time
- Embed compliance risk management into business risk management at global, regional and local level
- Third party due diligence for end-to-end process, from landowners to suppliers, IT software providers etc. based on risk level

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Code of Conduct	**All employees have acknowledged the Code**	In progress	Through the global Code training and awareness campaigns, the number of employees who acknowledged the Code more than doubled. Despite this significant increase, we are still in the process of achieving 100% completion.	% of employees who acknowledged the Code	70%	52%	**81%**[1]	All employees to acknowledge the Code
Training	**85% employees to complete the Code training**[2]	Completed/achieved	The Code training has been rolled out to all employees, where we exceed the completion target.	% of employees who have completed the Code training	New KPI for 2016		**92%**[3]	90% of employees to complete the Code and ABAC training
	ABAC training completed by all senior staff and high risk groups	In progress	ABAC training was rolled out beyond senior staff and high risk groups, with 45% of all our employees completing the training this year.	% of procurement staff trained on ABAC	N/A	32%	**44%**	Incorporate elements of the Code and ABAC training into onboarding training
				% of senior managers trained on ABAC	N/A	63%	**65%**	
Conflict of interest declaration	**All employees have filled and signed the conflict of interest declaration form**	In progress	In all operations, we ran a communication campaign on disclosure requirements around any perceived, actual and potential conflicts of interest. All cases reported were reviewed and closed.	% of employees who filled and signed the conflict of interest declaration form	67%	57%	**74%**[1]	All employees to complete and sign the conflict of interest declaration form

1 As the signings data is in line with CR performance data reporting period of Q4 2015 to Q3 2016, percentage is calculated based on headcount as of end of Q3 2016.
2 To ensure all our employees can access the training, we launched the Code training in both elearning and face-to-face formats, and therefore have slightly reworded this KPI for the 2016 report to reflect all training delivered. Employees will be required to complete a training session on both Code of Conduct and anti-bribery and anti-corruption at least once a year.
3 Excluding Comcel. Compliance is working closely with local management to roll out a tailored solution.

Growing responsibly and with purpose – continued

3. Acting responsibly: anti-corruption compliance

Key
✓ Completed/achieved
– In progress

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Whistle-blowing	**Continue to align management of cases reported to joint tools and guidelines; promote our Millicom Ethics Line and encourage employees to raise potential concerns**	Completed/achieved	We established a Group-level committee with compliance, HR, fraud management and corporate security functions to streamline the investigations process.	Number of cases of unethical behavior reported and investigated	110	156	**97**	Continue strengthening the global investigations process
				Investigations resulting in written warning	8	16	**6**	Run a communication campaign around Millicom Ethics Line
			We promoted the Millicom Ethics Line as part of the CoC and ABAC training sessions, with posters and communication campaigns.	Investigations resulting in termination of employee contract	54	6	**18**	90% completion rate on CoC and ABAC trainings, which feature guidelines on how to raise concerns and non-retaliation policies for all good-faith reports of wrong-doing
Anti-money laundering	**Strengthen internal AML controls and conduct AML audits**	Completed/achieved	Each operation conducted a self-assessment against AML-related controls.	% of operations offering MFS with AML controls systematically applied	New KPI for 2017			All operations offering MFS to have AML controls systematically applied
			We conducted audits in three of our largest Mobile Financial Services (MFS) markets.	% revenue from MFS represented by operations audited for AML controls	New KPI for 2016		**83%**	Conduct audits in each market in a three year cycle
Third-party risk management and anti-corruption measures	**Map our land rights management process with a pilot operation to understand environmental and social impacts (including corruption risk)**	In progress	We conducted audits on our compliance framework, including transactions for network deployment and land permits practices and ABAC-related risks.	% of operations we conducted a compliance risk assessment or audit	New KPI for 2017			Include land rights management and related transactional elements in the quarterly compliance monitor plan.
	Monitor turnover of procurement staff as a high risk employee group[1]	In progress	We continue monitoring turnover rate.	Turnover of procurement staff	N/A	14%	**14%**	Monitor turnover of procurement staff as a high risk employee group

1 Low turnover could indicate heightened ABAC or fraud-related risks.

Overview of cases reported to Millicom Ethics Line[2]

Topic	Number of cases reported and investigated	Cases ending in written warning	Cases resulting in termination
Bribery and corruption	8	0	1
Discrimination and harassment	12	0	0
Human rights and labor	17	0	0
Conflict of interest	14	2	1
Fraud	15	1	5
Other	19	0	2
Total	**85**	**3**	**9**

2 This table covers only cases reported to Millicom Ethics Line and excludes cases reported to TigoUne's Línea Ética, as we further align case category descriptions. Total cases reported in the KPIs table prior to this table include cases reported to both Millicom Ethics Line and TigoUne Línea Ética.

Growing responsibly and with purpose – continued

4. Reducing our environmental footprint

Progress in 2016

This year our focus has been on:

- Aligning our environmental efforts with our corporate efficiency program, HEAT, to deliver cost and carbon savings by reducing network energy consumption and integrating fleet and facilities management
- Modernizing and improving the energy efficiency of data centers
- Rolling out of our responsible electronic waste (e-waste) management program in more countries
- Achieving ISO 14001 certifications

We have updated our Group Environment Policy, which now establishes clear governance structure to manage our environmental impacts and outline the roles and responsibilities of each function in protecting the environment.

We continue to focus our efforts on activities that have the highest environmental impact, in particular, reducing energy consumption and rolling out our global e-waste management program.

Progress has been good in implementing our global responsible e-waste recycling program across all operations by 2018, with eight operations running the program by the end of the year.

As we reached our long-term goals to reduce our energy consumption by 50% by 2020 compared to 2008 baseline, we are now exploring opportunities to further align our environmental work with business priorities. This year there is an 8% year-on-year absolute reduction in our CO_2e emissions.

We are pleased to have achieved certification against the world's leading environmental management standard ISO 14001 for our corporate offices and data centers and critical sites in Honduras, the second operation after Colombia to achieve this certification. Our aim is to certify all other operations in 2017.

Energy efficiency

Last year electricity and fuel costs accounted for one quarter of our site management and maintenance costs. This, combined with our commitment to better environmental stewardship, makes reducing our energy consumption a priority.

As we continue to upgrade our network, we will roll out single-RAN technology across our sites – this technology allows mobile operators to reduce energy consumption by an estimated 30% by hosting different nodes such as 2G and 3G in one box. We are including environmental impact and energy reduction measurements to the Group-wide operational efficiency program HEAT to help us quantify savings.

Over US$678,800

raised from sale of e-waste through responsible recycling program in 2016[1]

To reduce our energy consumption of our networks sites, we continued to modernize our network with more energy-efficient equipment, increased network sharing and reduced the use of cooling solutions. We also invested in alternative energies, such as solar power and hybrid battery solutions, for powering sites in remote "off-grid" areas.

With The Digital Lifestyle™ strategy, larger data centers are needed. We have taken a proactive approach to energy management when building new state-of-the-art facilities and modernizing those already operating. The new and improved data centers we have introduced in 2016 offer increased safety and security and have significantly improved power usage effectiveness (PUE).

Following a US$20m initial investment in data centers in Chad, Tanzania, Ghana and Paraguay, we are now investing a further US$27m in those in Colombia, Senegal, Bolivia and Guatemala in 2017. Work for modernized data centers in Senegal and Bolivia, and a new Tier 3 center in Colombia are well advanced.

1 Excluding the monetary value of the e-waste sales from our operations in Senegal in 2016, as we finalize the clear out.

We are also working towards achieving a Silver certification for "Certified Energy Efficient Datacenter Award (CEEDA)" for Tigo Paraguay and Tigo Tanzania data centers. We expect to deliver this in early 2017 for our first site.

Electronic waste management

Electronic waste (e-waste) continues to be a key focus of our environmental management work due to potentially high environmental and reputational risks – and the need to take a proactive approach in markets where infrastructure for responsible e-waste treatment may be missing.

In 2016, we performed a thorough review of the implementation, gaps and impact of our e-waste management practices in all our operations. This has helped us create roadmaps for countries who do not yet apply the program. This year we were also able to map for the first time the savings the program is delivering in warehouse costs due to reducing storage needs. Out of 13 operations, eight are now running on the Group program.

Growing responsibly and with purpose – continued

4. Reducing our environmental footprint

E-waste recycled through our responsible waste management program

Country	Quantity of e-waste recycled (t)
Chad	Country set up on the program, recycling in progress
Colombia	206
Costa Rica	89
El Salvador	101
Paraguay	267
Rwanda	Country set up on the program, recycling in progress
Senegal	84
Tanzania	75

> 3.5 times as much e-waste recycled through responsible e-waste management program in 2016"

Total weight of e-waste recycled through our responsible e-waste management program (tonnes)

Energy use

Sources of energy by asset type

	Fuel (L '000)	Energy from fuel (MWh)	Electricity (MWh)[3]
Base station and fixed network sites	16,474	164,469	464,483
Our fleet	9,713	93,202	N/A
Data centers and offices[1, 2]	4,218	42,084	50,235
Shops	268	2,678	17,254

Sources of energy for our assets, excluding fleet

	Total energy consumption (MWh)	Energy from diesel (%)*	Energy from electricity (%)*
Latin America	562,346	15	85
Africa	178,163	69	31

* As a percentage of total energy consumption.

Sources of energy for our assets

1 As the majority of our data centers are co-located with our offices, they often do not have separate meters to enable us report on data center consumption separately. With our data center program roll-out, we will be able to measure data center energy consumption individually.

2 For two of our operations, we account for some data center electricity consumption under network sites. As we further roll out our data center improvement program, we aim to be able to report data center consumption separately

3 Including 377 Mwh electricity generated from solar panels at our sites. Electricity consumption from solar panels have been estimated based on average consumption per site or solar panel, and differences in solar radiation in our geographies. We are working towards improving the accuracy of our renewable energy consumption.

4 Emissions from fuel are calculated using Defra's 2016 Greenhouse Gas Reporting Conversion Factors.

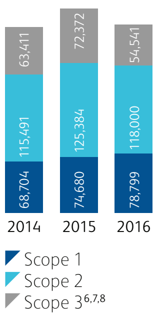
5 Emissions from electricity are calculated using World Resources Institute (2015) GHG Protocol tool for stationary combustion, version 4.7.

6 Scope 3 emissions account for emissions from our base station sites power managed by a supplier (accounting for 93% of total scope 3 emissions, same as 2015) and air travel (7%).

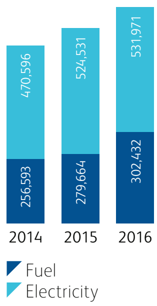
7 Carbon emissions from sites power managed by a third party in one operation are estimated based on 2015 figures, taking into account the change in total number of sites managed by the third party.

8 Air travel data for Bolivia is extrapolated for the 12 month period based on the data available for nine months.

Our carbon footprint[4,5] tonnes CO_2e



Total energy consumption MWh



> All countries ISO 14001 certified by end of 2017"

Growing responsibly and with purpose – continued

4. Reducing our environmental footprint

Promoting circular economy

Building on our focus on e-waste, our operations in LatAm have worked on innovative solutions promoting circular economy with other types of waste our operations generate. Our team in Bolivia has developed an upcycling project where 45 students, from underprivileged backgrounds within Bolivia's three main cities, participate in building furniture made from warehouse pallets that would otherwise have been disposed of. The finished furniture is being used in our Tigocitos (crèches) and shelters. As the project evolves, we aim to create a business model to sell the furniture. We completed the first phase of this upcycling project and expect to apply the project nationwide during next year.

In El Salvador, we work with a supplier who makes bags and backpacks from old banners and promotional material. We distribute these, equipped with other school material, to children as part of our educational program.

Environmental impact project continues in Paraguay

In the second year of its environmental impact assessment project, Tigo Paraguay launched a waste management campaign to reduce, reuse and recycle waste. The Green Committee oversees the program to promote recycling habits and establish a comprehensive waste management system that colleagues will use. Once we have measured the amount of basic waste disposed of from our main offices, the plan is to expand this campaign to all offices in Asuncion and progressively to the whole country. Our focus is on achieving a cost-benefit model through programs of recycling paper for our offices, generating jobs for local recyclers and selling reusable products, thus promoting a culture of reduction, reuse and recycling and environmental awareness.

Using mobile technology to reduce our employees' commuting footprint

TigoUne signed a commercial agreement with Wheels, a company providing sustainable mobility solutions. The app is a social network allowing employees to share their private car or taxi with other employees. It is now used in seven locations between Bogota and Medellin and more than 460 employees have subscribed to it. With traffic congestion regulations limiting use of cars, this initiative also helps our employees to commute more easily.

Our new built, energy efficient data center in Paraguay

Tigo Costa Rica goes carbon neutral

With the Costa Rican government's ambitious target for the country to be carbon neutral by 2021, Tigo Costa Rica is leading the way with its own carbon emissions mapping project. Since 2015, we have been following the international ISO 14064 standard and built a GHG emissions inventory for our facilities in San José and our entire fleet. This year we delivered training on carbon neutrality for all our fleet, facilities and CR teams; and are implementing an energy reduction plan. We aim to achieve carbon neutrality certification over the next year.

Growing responsibly and with purpose – continued

4. Reducing our environmental footprint

Key
- Completed/achieved
- In progress

Our performance

Five-year plan objectives (by 2018):
- Establish a cross-functional steering committee and global energy reduction and green energy strategy
- Global e-waste process implemented in all operations to manage e-waste through responsible vendors
- Extend environmental reporting to consider emissions relating to logistics and supply chain

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
E-waste	**Identify high-risk operations where e-waste is not managed in line with Millicom's global policy, and set up programs at these operations as priority**	In progress	We conducted a review of all operations to identify current e-waste management approach, and alignment with Group e-waste policy. We are developing roadmaps for operations that are not set on the Group program.	% of operations set up on our global responsible e-waste recycling program	15%	38%	**62%**	Roll out the program in at least 10 operations, accounting for over 75%
	Update Millicom's environment and e-waste management policies	Completed/achieved	Millicom's revised Group environment policy was updated and signed off by senior management.	% of operations with controls systematically applied in line with the environment policy	New KPI for 2017			Develop and roll out an implementation manual for the environment policy and update the internal control manual accordingly
Energy consumption and carbon emissions	**Reduce energy consumption**	Completed/achieved	While we have several energy saving initiatives across our operations and our normalized energy consumption is decreasing, we are still working on gaining better visibility on quantifying energy reductions achieved via individual initiatives. There is an 8% year-on-year absolute reduction in CO_2e emissions. This year we are changing the way we normalize our CO_2e to report "tonnes of CO_2e emissions per US$1,000 revenue". This is more representative of our business activities and covers emissions from both mobile and cable services.	Tonnes of CO_2e emissions per US$1,000 revenue	0.039	0.043	**0.040**	Quantify emissions savings achieved through key HEAT initiatives, including network energy consumption and logistics Set new long-term carbon reduction targets
				% of base stations using green power or site sharing	Expanded KPI scope for 2016		**25%**	
				% of base stations on single RAN technology	N/A	58%	**55%**	
				Energy consumption by technical and administrative sites and fleet	See 2014 CR report page 43.	See 2015 CR report page 28.	See page 71 for break-down.	
Target setting	**Review environmental target setting process and approach to science-based targets for carbon reduction and set new long-term targets**	In progress	We have not yet replaced our 2020 target which we achieved in 2015.		As we achieved our 2020 "CO_2e per base station" target last year, we now monitor tonnes of CO_2e emissions per US$1,000 revenue and subsequent reductions.			Carry out environmental impact assessments to identify areas of highest impact and control over the reduction of the impact

Growing responsibly and with purpose – continued

5. Diversity

Progress in 2016

This year our focus has been on:

- Delivering diversity and inclusion training and awareness for executives
- Supporting female entrepreneurship and building our female customer base

New business models, innovation, better creativity and ability to respond to more fragmented customer segments make diversity a crucial business issue. In our markets, female customers in particular represent an enormous opportunity. There is a clear gender gap in adoption of the services we sell and women have felt underserved by the digital industry. Improved diversity will enable us to tap into this market by providing relevant and useful content and services.

This year we continued to highlight the business case of diversity by demonstrating its power to help us grow. We have also promoted inclusion and trained management on unconscious bias in the workplace.

A diverse workplace

We are proud that our workforce is culturally diverse with 82 nationalities. When we first started our diversity program in 2014, the gender balance at senior management level was very low compared to the gender balance across our overall employee base.

We continue to work to increase the number of women in senior management. The trends have been positive in our two regions, with the number of women in senior positions rising from 7% in 2013 to 26% in Africa, and from 27% in 2015 to 31% in LatAm in 2016. In our corporate offices 20% of senior roles are held by women.

In 2016 the proportion of women in our employee base is 39%. With the percentage of women in top 680 management roles increasing from 25% in 2015 to 29% in 2016. We are committed to continuing this steady progress.

In our 2015 report, we outlined our ambition to establish a Company-wide diversity steering group comprising members of the Executive Committee and senior management. We are preparing to start diversity and inclusion committees for our corporate offices and operations. The goal of the committees will be to promote the creation of an inclusive workplace, where our employees' different strengths are celebrated, valued and utilized.

"Steady progress increasing women in senior roles"

We did not meet our 2016 target to conduct an equal pay audit. The audit was postponed pending further alignment of job grading and responsibilities, a prerequisite for a successful audit.

Training and awareness

In 2016, we carried out training on gender diversity, inclusion and unconscious bias to senior executives in two separate workshops. This training – focused on understanding the value of diversity, recognizing unconscious bias, and building an inclusive workplace – has been adapted to be rolled out to our staff across corporate offices and markets. The first of such one-day workshops took place in Guatemala in December 2016.

Closing the digital gap for women

The mobile operator association GSMA estimates that 200 million fewer women own a mobile phone than men in low and middle income countries. Bringing balance could unlock up to US$170 billion globally for the mobile industry before 2020.

Gaining more women customers represents a great business opportunity for Millicom. We are also working to better support women entrepreneurs in the communities in which we work.

Millicom is particularly proud of our involvement with the GSMA's Connected Women Initiative that is helping our industry focus on reducing the gender gap in the adoption of mobile internet and mobile money service.

Supporting employees with children

Turnover of younger women has been high in Millicom. To offer concrete support to employees returning to work after maternity leave, we have promoted a shortened working week for breastfeeding mothers and established dedicated nursing rooms in most of our LatAm operations: Bolivia, El Salvador, Paraguay, Honduras and Guatemala, with our offices in Colombia and Costa Rica to follow shortly.

In Bolivia, we also offer childcare services in the workplace. 190 of our female employees and 80 of our male employees use one of the eight nurseries we have across our operations in the country. We are also encouraging our employees – both men and women – to take their full parental leave.

Growing responsibly and with purpose – continued

5. Diversity

Key
- ✓ Completed/achieved
- – In progress

In 2016, Millicom became the first operator to commit all of its African operations to the initiative. The first African operator to sign up, Tigo Rwanda, committed to increase the percentage of women accessing its mobile financial platform "Tigo Cash" from 39% of total users to 45% by 2020.

Tigo Paraguay in turn became the first operator in Latin America to sign the Connected Women Commitment.

During National Women's Week in Chad, Tigo Chad hosted a "Women entrepreneurship and ICT" event to highlight the significance of digital tools for women and in particular the benefits of Mobile Financial Services (MFS) solutions. The event showcased Tigo Paaré, an innovative group loan service that has already benefited hundreds of women entrepreneurs in getting crowdfunding to start or expand their own businesses.

Additionally, this program reached out to the Ministry of the Woman, where 13 female employees received a certificate for completing a six-week digital training on Microsoft Office, mobile internet and Mobile Financial Services. Training on digital tools for women are also held in cooperation with Technidev, winner of the 2015 Tigo Digital Changemakers Award and the Association for the Education Action and Advancement of Women (AEPF).

Our performance

Five-year plan objectives (by 2018):
- Increase the number of women among senior managers each year
- Establish a Group-wide maternity and paternity leave policy, to also include a shortened working week for breastfeeding mothers

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Family-friendly policies	**Establish breastfeeding rooms in 50% of operations**	–	At the end of 2016, we had nursing rooms in five operations across LatAm, representing 38% of our operations. We also introduced these facilities in Miami and Luxembourg corporate offices.	% of operations with breastfeeding rooms	New KPI for 2016		**38%**	Establish nursing rooms in all remaining LatAm operations and our London corporate office
Female representation in the workforce	**Increase % of women in senior management positions**	–	For our work in 2016, see page 74.	% of women in senior management positions	22%	25%[1]	**29%**[1]	Increase % of women in senior management positions to align with % of women across our employee base
				% of women across our employee base	33%	34%	**39%**	
	Reduce turnover rate for women under 30	–	For initiatives we delivered, see case study on "supporting employees with children" on page 74.	Turnover rate for women under 30	28%	18%	**21%**	Reduce turnover rate for women under 30

1 In 2016, we clarified and updated the definition of senior management to represent key decision making roles across our business, such as our CEO or General Managers, their direct reports and heads of departments. This represents top 680 senior manager roles, whereas in the previous years, our report was based on a grading structure which was similarly representative at over 600 senior managers.

Growing responsibly and with purpose – continued

6. Taking care of our people: health and safety

Progress in 2016

This year our focus has been on:

- Committing to zero-fatality business
- Introducing a risk-based approach to health and safety by country

We work in countries where health and safety (H&S) practices are evolving and where related regulation may not exist or is not consistently enforced. Some of our countries also experience high rates of violent crime, extreme weather events or threat of terrorism, so we need to be particularly vigilant to mitigate risks to our employees.

Due to the lack of uniform H&S regulation in our countries, it is essential that we remain diligent and ensure compliance with all local legislation, but also go beyond legal compliance by aligning to global standards.

In 2016, our focus was on adopting a risk based approach, carrying out risk assessments in each operation and implementing mitigation plans. We ensure a consistent approach by rolling out an H&S management system aligned to international H&S standard OHSAS 18001.

In our previous reports, we covered a number of topics relating to health, safety, wellbeing, development and career progression of our employees under "Taking care of our people" section. This year, as we integrate our reporting, employment and career-development related topics are now reported under "Our people and partnerships" section, from pages 21-22.

For more information on governance of health and safety, see pages 125-126.

A zero-fatality commitment

Our goal is to have zero avoidable incidents and accidents and we have engendered this culture from the bottom up by empowering local health and safety officers. This has been done through a global policy endorsed personally by our CEO and delivered to all CEOs of our subsidiaries. Our zero fatalities approach applies not only to employees directly employed by us but also to contractors on whom we depend on for many high risk areas, such as network maintenance. In 2016, we had zero fatalities amongst employees and contractor fatalities fell to five from 16 the previous year.

Our Colombia, Honduras, Bolivia and corporate offices are already certified against the international health and safety standard OHSAS 18001 and we are well on track to achieve certification for all operations by the end of 2017.

Risk-based approach

We achieved our target to conduct risk assessments in each of our operations in 2016 to identify highest health and safety risk areas and develop mitigation plans for top five risks. Most common risks identified and subsequent mitigation plans we worked on were:

- Working at heights: we require all engineers working on our towers to wear suitable personal protective equipment (PPE). We conduct random site inspections to ensure all engineers follow this. We also continue to require all engineers to demonstrate their level of safety competency via a Safety Passport.
- Electrical safety: same requirements apply as per working at heights. We also continuously review alternative means of installing cables to minimize the risks of working with overhead cables.
- Management of road risk: with vehicle tracking and speed monitoring equipment installed in our fleet in almost all our operations, we are focusing our efforts on monitoring driver patterns and promoting safe driving.
- Personal safety and security: we continue providing travel safety information, security bulletins and briefings. We are conducting two pilots in Bolivia and Honduras to develop and implement a personal alarm and security app.
- Control of our contractors: we request all suppliers to sign our Supplier Code of Conduct and align with our requirements on incident reporting, health and safety management and use of personal protective requirements. We also conduct unannounced site inspections and request mitigation plans.

We are committed to having a health and safety committee that meets quarterly in each of our markets. The vast majority of our workforce is already represented by an H&S committee, at 76%.

In 2017, we will continue reviewing risk assessments for each country on a quarterly basis. Senior management and the Board receive reports on progress and incidents on a monthly basis.

Growing responsibly and with purpose – continued

6. Taking care of our people: health and safety

Key
✓ Completed/achieved
⊖ In progress

Our performance

Five-year plan objectives (by 2018):
- Continue our zero-fatality commitment
- Review risk assessments for each country on a quarterly basis and update and manage as required
- Continue reporting to senior management and the Board on progress and incidents on a monthly basis

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Alignment with international H&S standards and Millicom's own policies	**Conduct internal audits to assess compliance with the new H&S policy and Millicom Safety Rules**	✓	We audited each operation in 2016 at least once a year; with audit control documents and mitigation plans in line with our internal controls. Additional OHSAS 18001 certification audits in Bolivia, Colombia, Honduras and our corporate offices.	% of operations with controls systematically applied in line with our Group H&S policy	New KPI for 2016		**100%**	Continue conducting internal audits to assess compliance with our H&S policy and internal controls
	Achieve OHSAS 18001 certification for our corporate offices	✓	Our corporate offices and operations in Bolivia and Honduras have achieved OHSAS 18001 certification; with our Colombia operation renewing their certificate.	% of operations in line with OHSAS 18001	14%	100%	**100%**	Achieve OHSAS 18001 certification for all remaining operations
				% of operations certified against OHSAS 18001[1]	N/A	8%	**23%**	
				% of workforce represented in H&S committees	70%	91%	**76%**	All operations to have a H&S committee in place with employee representation, that meets on a regular basis
Incident reporting	**Continue improving our incident reporting and reinforcing zero-fatality commitment**	✓	For our work on identifying and mitigating H&S risks, and reducing incident rates, see "Risk-based approach" on page 76.	Number of employee fatalities[2]	1	1	**0**	Continue zero-fatality commitment for our employees and all contractors
				Number of contractor fatalities[2]	6	16	**5**	Improve incident reporting across all operations
				Number of H&S incidents reported	N/A	305	**155**	All significant events to be reported within 24 hours
				Lost-time injury rate per 1,000 workers[3]	N/A	1.26	**1.47**	
				Absentee rate	0.62%	0.71%	**0.68%**	

1 We introduce this KPI in our 2016 report to align with our target of achieving OHSAS 18001 certification across all operations. In 2015, out of 12 of our operations – excluding Tigo DRC which was sold in early 2016 and Zantel as we worked on integration, our Colombia operation was certified. In 2016, our Bolivia, Colombia and Honduras operations were certified.
2 Numbers of employee and contractor fatalities reported for 2016 are aligned with the financial year, same as 2014 and 2015 numbers reported.
3 Our incident management tool is available for all employees and outsourced workers to report incidents. Although 2015 numbers were calculated based on all incidents reported by both worker categories, they were incorrectly reported as 1,000 employees in the 2015 CR report. In this report, we have reinstated the KPI as per 1,000 workers.

Growing responsibly and with purpose – continued

7. Responsible supply chain management

Progress in 2016

This year our focus has been on:

- Identifying material risks by supplier category
- Delivering training for our procurement teams and suppliers on responsible supply chain management

We rely on thousands of suppliers around the world, from small local vendors to multinational corporations to deliver our services. How they behave and the job they do reflects on our reputation, so it is essential we work in tandem to ensure we share the same expectations and practices in acting responsibly

Following the EcoVadis assessments we conducted in 2015 with strategic suppliers in high risk categories, this year we commissioned Business for Social Responsibility (BSR) to conduct a supply chain risk materiality analysis. The results have helped us understand key risks in each supplier spend category and are used to identify priority areas for corrective actions.

Improving supplier performance and managing risk

With 221 assessments requested from suppliers on EcoVadis since 2015[1], we now have a better view of the main risks our suppliers represent and can mitigate these through corrective action plans.

This year we invited an additional 124 suppliers to complete assessments. The group of suppliers invited for assessments represented the highest risk category identified in the BSR review, such as suppliers of contingent labor, security services, call centers and car fleet providers. Going forward, our focus will be to get all of our high spend suppliers in risk categories to complete EcoVadis assessments, and to engage with low performers for improvement plans, as well as re-invite those suppliers who scored below 35/100 to re-assess their progress. Low scoring suppliers will also be the target of our training efforts in 2017.

The 100 suppliers who responded to one of our three campaigns represent 48%[2] of our supplier spend. Their average score was 43/100, which is slightly above EcoVadis average of 42/100.

From the respondents, 38 fell below our threshold assessment score of 35/100. We created corrective action plans for each of these suppliers. We engage with these suppliers to follow the implementation of these action plans and have already seen improvements to supplier performance, for example with our suppliers in Colombia. See below for more detail.

Supplier training

All of our procurement team members, regardless of the supply categories they manage, were invited to a training on the EcoVadis tool and assessment process in 2015. 79%[4] of all global and local procurement teams have participated in training on responsible supply chain management and how to communicate with suppliers on sustainability since 2015.

In 2016, the same buyers have received further training on the EcoVadis tool, specifically on how to analyze supplier assessment results and create and follow up corrective action plans. Over 50% of all procurement team members participated to these trainings. In addition, CR teams in all markets participated in the same training and received further in-depth training to be able to work with procurement in follow up actions and engagement.

Supplier assessments on EcoVadis[3]	Since launch in 2015, until the end of 2016
Total number of suppliers invited to complete an EcoVadis assessment	221
Total number of suppliers who completed the assessment	100
Total number of suppliers that do not fulfill our requirements	38
Number of suppliers with improved scores following implementing corrective action plans (CAPs)	2

Number of corrective action plans (CAPs) requested by category

	Environmental	Labor rights	Fair business practices	Sustainable procurement
Number of CAPs requested from suppliers by EcoVadis categories	35	108	73	44

1 Suppliers still active on the EcoVadis platform at the end of 2016.
2 Based on 2015 spend. Additionally, three suppliers assessed were part of a tender, so do not account for overall spend data.
3 Since launch in 2015, until the end of 2016.
4 As a percentage of those who were invited to training. In 2016, we focused our training efforts around implementing corrective action plans.

Growing responsibly and with purpose – continued

7. Responsible supply chain management

Key
- Completed/achieved
- In progress

When our high-risk, high-spend suppliers have scored poorly in EcoVadis assessments, we have accelerated training in CR in selected countries:

- In Colombia we have established a stakeholder engagement strategy to share corporate responsibility information among our suppliers. In April and December 2016, respectively 50 and over 300 suppliers attended training focusing on compliance. Additionally, TigoUne has engaged with specific suppliers and provided hands-on support focusing on key gap areas identified in their EcoVadis assessment.
- In Paraguay, we introduced a capacity building program with eight key SME suppliers, each receiving in-depth training on ethical business conduct, labor conditions, environmental management and customer management.
- In El Salvador we partnered with a local CR organization, FUNDEMAS, on supplier training.

In 2017, we will partner with an organization that specializes in delivering CR-related training, and roll out this training to suppliers across Latin America.

Our performance

Five-year plan objectives (by 2018):
- Full supplier monitoring program in place, including self-assessments and on-site audits
- Support capacity building of local suppliers to manage CR-related risks

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Supplier monitoring	**Ensure all suppliers sign the Supplier Code of Conduct ("Supplier Code")**[1]	In progress	We developed a template for tracking Supplier Code signings, and rolled this out across operations; and shared guidelines on how to manage cases where a supplier refuses to sign the Supplier Code and escalation of such cases to the Group.	% of strategic[2] suppliers who signed the Supplier Code	61%	79%	**79%**	Expand reporting to % of suppliers who refuse to sign the Code and how we manage those cases, in line with our Supplier Code Guidelines
				% of all suppliers who have signed the Supplier Code	9%	27%	**36%**	
	Conduct at least two EcoVadis assessment campaigns, based on materiality assessment	In progress	Although we only conducted one campaign, the number of suppliers invited was significantly higher than the previous campaigns. See "Improving supplier performance and managing risk" section for more KPIs on EcoVadis assessments.	% of spend represented by suppliers who completed assessments on EcoVadis to date[3]	N/A	53%	**48%**	Increase response rate to EcoVadis assessment requests
Training to staff on responsible supply chain management	**Provide training to procurement staff on implementing and following corrective action plans on EcoVadis**	Completed/achieved	We delivered training to procurement and CR teams on EcoVadis and how to implement corrective action plans with suppliers.	% of procurement teams trained on responsible supply chain management[4]	N/A	65%	**79%**	Continue to provide training to procurement staff on implementing and following corrective action plans on EcoVadis
Supplier capacity building	**Provide training to suppliers in responsible business practices**	Completed/achieved	We already provide training to suppliers on our CR strategy and requirements in a number of our operations.	Number of suppliers trained on Millicom's CR strategy and requirements	New KPI for 2017			Identify a training partner that specializes in CR and jointly roll out training to suppliers across LatAm

1 Although we have required our suppliers to sign the Supplier Code of Conduct since 2014, this was not expressed as a formal target in the 2015 CR report.
2 In 2017, we will work towards aligning our reporting definition of "strategic suppliers" with the results of supplier risk materiality analysis and report on percentage of high risk suppliers who signed the supplier Code.
3 Number of suppliers who have been invited to complete self-assessments since beginning of 2015 until end of year 2016.
4 As a percentage of those who were invited to training. In 2016, we focused our training efforts around implementing corrective action plans.

8. Social investment

Progress in 2016

This year our focus has been on:

- Review of our social investment strategy in Africa to increase digital initiatives
- Multi-country commitments and programs in both Latin America and Africa

Our priority is to align our social investment activities with our core business mission and expertise. To that end, our activities are focusing on supporting digital and financial inclusion, education and entrepreneurship – as well as aligning to our material corporate responsibility issues, such as child online protection and supporting diversity.

Social investment that draws from our services and expertise

In Africa, we have refined our social investment strategy to have a strong focus on investment themes that will support the growth and success of our business. We also supported our operations in integrating social investment (SI) into external communication and marketing roadmaps, to better connect with our customers and promote the value Tigo brings back to our communities.

In Latin America, we signed a commitment with the Organization of American States and their Americas ICT 2030 Alliance. We pledged to bring internet connection to 2,100 schools and public institutions across our LatAm footprint and implement training programs in child online protection (COP) for parents and teachers by 2030. So far we have connected 1,024 schools and public institutions, giving internet access to 325,000 students in the region. See page 64 on statistics on our COP training programs.

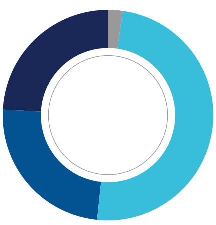
In 2016, we also introduced our global volunteering policy that gives employees the possibility to volunteer for two working days a year.

Our overall monetary donations have decreased as more social investment resources are linked to our core business, such as reducing the gender gap among our customer base and protecting children online. This means our social investments are focused more on developing digital solutions, and providing connectivity, devices and digital literacy training for underprivileged groups.

Going forward, we look to create more multi-country collaborations to increase the impact of our social investments. In line with this aim, in December we pledged to extend our support to UNICEF by collaborating on violence prevention and child protection in Guatemala, Honduras and El Salvador through a donation and collaboration agreement.

This commitment builds on our ongoing collaboration on child rights and will serve to expand existing UNICEF-supported initiatives to improve helplines that ensure children and young people receive support and advice when they experience violence or abuse. With Millicom's support, the helplines will be able to expand their capacity and will build capability to address online crimes such as sexting, grooming and cyber-bullying. Millicom will also share its expertise by providing guidance and technical assistance in deploying and promoting the child helplines.

Social impact investments in 2016
US$'000



Supporting customers with disabilities

Supporting diversity and inclusion has been in focus in many of our activities in 2016.

A visit from 30 students from the Provolo Institute to the Tigo Paraguay offices provided staff with a valuable insight into the lives of those who are hearing-impaired and the daily challenges they face, helping our staff understand diverse requirements of our customers.

Following the visit, we donated a "telecentro" to the institute. These are shipping containers transformed into a classroom fully equipped with IT services and internet. In Paraguay, Tigo has donated around 170 telecentros across the country to date.

Meanwhile, in Tigo Bolivia, we delivered sign language training to 84 customer service staff this year. With 0.5% of the country's population hearing-impaired, this training will help our customer service staff provide support to a wider group of customers. In addition, the program helps raise general awareness on the importance of sign language.

Growing responsibly and with purpose – continued

8. Social investment

LatAm

Bolivia

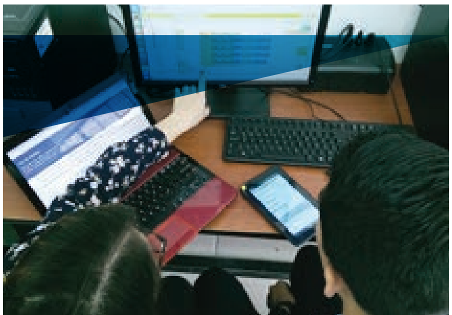
In Bolivia we have played an important role in having 28,280 children registered between January 2014 and September 2016, in partnership with the National Electoral Tribunal (Sereci) and UNICEF. This program allows low-income families and those living in remote areas to access a universal, free of charge and timely birth registration. Beyond supporting economically the implementation of this project, Tigo also provides free internet connection to the Sereci's child registration booths.

Honduras

Tigo Honduras, in alliance with the Ministry of Environment and Amitigra Foundation, will take part in a reforestation program of 300 hectares of pine trees over the next three years in two areas: Parque Nacional la Tigra and San Jose watershed. The project started in September with 10 hectares, approximately 5,000 pine trees, with 400 Tigo volunteers taking part. This project will be used to offset Tigo Honduras carbon emissions.

El Salvador

As part of the Adopt a School project, in cooperation with USAID and FEDAPE, Tigo El Salvador inaugurated five digital centers in 2016. Each digital center will have 30 computers and free internet access for a year. We estimate they will benefit more than 2,260 students, 90 teachers and 1,420 families.



Costa Rica

Tigo Costa Rica in partnership with Fundación Paniamor and Ideas en Acción implemented the "Apps for Good" program that teaches high school children to program apps with social impact. 26 students participating in the pilot learned about responsible and positive uses of technology, social entrepreneurship and programming language, and created six app prototypes.

Paraguay

Tigo Paraguay continues to support the Ministry of Health in connecting medical staff with their patients across the country online. The aim is to facilitate live medical consultations and remote analysis of medical exams for patients, many of whom would not have had access to such services due to geographic distance and/or other demands on their own resources. Within 18 months of launch, more than 135,000 direct users benefited at no cost to the patients.

This year almost 100 hospitals were connected online to the Telemedicina initiative. The Minister of Health, Dr. Antonio Barrios, said that the program "responds to a big need from many citizens in remote areas", a valuable reason for it to be extended to 176 hospitals.

Guatemala

Through our digital inclusivity and volunteering programs, we built three new schools and refurbished 53 schools in Guatemala, constructing and furnishing digital classrooms – equipped them with 1,200 computers and internet enabled phones, donated 15 water eco-filters and school kits, with over 1,000 children and 40 teachers benefiting.

Growing responsibly and with purpose – continued

8. Social investment

Africa

Rwanda

Launched in June 2016, Ruhunda Ekocenter is a partnership between Tigo Rwanda, Coca Cola, Pentair and Ericsson that provides 25,000 local residents with a hub where they can enjoy wi-fi enabled internet access, mobile charging units and access to clean drinking water.

Through this partnership, we also improved the residents' access to high-speed internet, where we upgraded our services from 2G to 3G. Tigo is also providing free wi-fi access to medical staff the neighboring Ruhunda Health Clinic.

Chad

Tigo Chad, in partnership with The Digital Changemakers 2015 winner Technidev – a project that provides online quality educational content – launched an online campaign to teach IT skills to 900 young people. In September, all students participated in a ceremony with the Minister of Education and the Minister of Youth to receive a certificate of successful completion. As part of our commitment to promote diversity at our workplace, we are offering internships to ten young women who participated in the training.

Ghana

The "Literacy 4 Life" reading camps is a project implemented by the 2014 co-winner of Tigo Digital Changemakers Award, Sheila Osei-Boakye. The traveling reading camps are geared towards complementing teachers' efforts by helping to train children to develop the vital literacy skills to become proficient readers. By the end of August 2016, the reading camps had succeeded in visiting all the five rural communities: Afienya, Apollonia, Ashaiman, Otchebleku and Mobole. So far, this project has improved 3,000 children's literacy skills. Literacy 4 Life hopes to eradicate illiteracy among children in Ghana by 2030, and it strives to reach 10,000 children by 2021.

Volunteering program launches in our corporate offices

To mark the launch of our volunteering program, employees in Luxembourg and London organized fundraising activities to support building of a sewing and embroidery training center at the SOS Village d'Enfants in N'Djamena – an orphanage Tigo Chad has been working with since 2010. Overall, both offices raised over US$24,300 and organized a total of 13 activities to raise funds.

Senegal

In partnership with Reach for Change, Tigo Senegal laid the first cornerstone of the Aiwa CyberCase building in Diakhao, Fatick region in April. The CyberCase will provide a multi-functional room of 50 machines, a video-conference room, a cinema club and an internet cafe. Furthermore, it will also enable women to run their own businesses. Finally, the project aims to establish digital platforms in rural areas and remote locations allowing students to have access to powerful IT tools.

Tanzania

Zantel has donated Tshs 10 million to the Association of Seaweed Farmers in Zanzibar. Going forward, Zantel will conduct training for 2,000 women in the year 2016–2017 in entrepreneurship and finance management both online and offline, in collaboration with the University of Zanzibar in areas of management. Seaweed farming is an important economic activity in the communities of the islands of Unguja and Pemba. This type of farming is mostly dominated by women, with 80% of the over 20,000 farmers being women.

Growing responsibly and with purpose – continued

8. Social investment

Key
✓ Completed/achieved
– In progress

Our performance

Long-term objectives

- Connect 2,100 schools and public institutions to the internet by 2030 in Latin America
- Implement a volunteering program with digital education initiatives in all our markets by 2020

Topic	2016 target	Status	Our progress in 2016	KPIs	2014	2015	2016	2017 target
Investing for impact	**Roll out social impact measurement and report first results in 2016 CR Report**	✓	We have defined KPIs for our digital inclusion programs. These align with commitments signed and our COP program.	Schools and public institutions connected to internet	New KPI for 2016		**1,061**	Additional 100 schools connected in LatAm
				Number of students connected ('000)	New KPI for 2016		**375**	Additional 50,000 students connected
				% of in-kind contributions directed at digital inclusion initiatives	New KPI for 2016		**20%**	Increase to 25%
	Continue identifying innovative and digitally driven ideas and solutions	✓	We have continued Tigo Digital Changemakers Award in all Africa countries, and four LatAm countries.	Number of social entrepreneurs supported in operations with Tigo Digital Changemakers Award or similar activities per year	19	17	**322**[1]	Focus on increasing the social impact of entrepreneurs winning the award to date
Volunteering and donations	**Roll out volunteering policy and align documentation of volunteering hours**	✓	We rolled out our volunteering policy across all operations and corporate offices.	Number of volunteering hours	N/A	20,335	**21,915**	Increase volunteering hours by 15%
				Monetary value of employee volunteering (US$'000)	445	247	**237**	
	Continue social investment through cash and in-kind contributions	✓	Social investments have reduced in line with our operational efficiency initiatives and as we focus our resources more on supporting communities with our products and services.	Total cash contributions (US$'000)	7,582	5,814	**4,921**	Continue social investment through cash and in-kind contributions
				Total in-kind contributions (US$'000)	4,160	3,993	**2,420**	
				Total management overhead contributions (US$'000)	1,303	2,357	**2,405**	

1 As of 2016, we will report on the total number of social entrepreneurs who receive either financial or mentorship support.

Awards and performance in 2016

Latin America:		
Colombia		Held our top place as the most transparent telecommunication company in Colombia on Transparencia por Colombia's transparency index.
Bolivia		Ranked fourth most sustainable business out of 100 top companies of Bolivia in MERCO's corporate reputation rankings.
		Pablo Guardia, Tigo Bolivia General Manager was recognized as a CSR hero for children by UNICEF Bolivia under "Héroes de la RSE por la niñez".
El Salvador	World Economic Forum	Tigo El Salvador was recognized as one of the 30 most responsible companies in Central America, in a recent publication by the World Economic Forum.
Honduras		For the seventh year in a row, Tigo Honduras was recognized as a socially responsible company by Fundahrse.
Africa:		
Ghana		Tigo Ghana, UNICEF and Births and Deaths Registry's Automated Birth Registration: Changing Lives Award – Africacom awards
		Tigo Shelter for Education: CSR initiative of the year – Ghana CSR Excellence Awards
		Outstanding Woman in Technology – Roshi Motman, Tigo Ghana CEO – Ghana Information Technology and Telecom Awards

Inclusion in Ethibel Excellence Investment Register

For the second consecutive year, Millicom International Cellular S.A. has been selected for inclusion in the Ethibel EXCELLENCE Investment Register. This selection by Forum ETHIBEL indicates that the Company performs better than average in its sector in terms of corporate responsibility.

CDP Climate Change Survey

This is the seventh year we have reported our greenhouse gas emissions to the CDP Climate Change Survey. We continue to improve our environmental performance, with our B-level rating is well-above the industry average on CDP's climate change survey.

Shortlisted for Best Sustainability Report

Millicom's 2015 Corporate Responsibility Report was shortlisted for the "Best Sustainability Report" award at EthicalCorp's seventh Annual Responsible Business Awards 2016 – one of the world's leading corporate responsibility and reporting awards.

About the CR performance section

Introductory statement

This is our fifth annual corporate responsibility (CR) report. In line with our mission to lead the adoption of The Digital Lifestyle™ in our markets, and our belief that our corporate reporting should reflect the way we work, this year we have taken a leap forward in integrating our financial and corporate responsibility reporting.

This report has been produced following the Global Reporting Initiative (GRI) G4 Guidelines and its reporting principles.

The report continues to be externally assured. For the scope of external assurance we commissioned and the assurance standards our auditors follow, please see EY's Independent Limited Assurance Report on the next page.

Our materiality process

In 2014, we set a clear CR strategy and roadmap for the next five years. In this report, we demonstrate the strong progress we made in 2016 against our strategy in implementing key initiatives. We outline our focus, highlights from our work, and any challenges we faced in 2016 and our plans to continue improving our performance.

The report covers our eight most material CR topics, which were confirmed through a comprehensive process of interviews and surveys with our key stakeholders during 2015. Our materiality methodology can be found in more detail on page 12 of this report.

Building on the methodology for engaging with our stakeholders and conducting the Group CR materiality assessment, in 2016 we finalized a country-level CR materiality assessment with our most important stakeholders across all operations. The results of these can be found on our country fact sheets, available on our website.

In this report we outline our approach, ambition, performance against key indicators, and our future priorities for each of the material topics.

Geographical scope of the CR performance data

This year, we are aligning our CR management and reporting for our newly merged or acquired businesses in Colombia and Tanzania. In 2015, we had expanded the scope of our reporting to include data from our fixed services business in Colombia, following our merger with UNE in 2014. This year, our reporting expands to all other subsidiaries in Colombia (with the exception of headcount related data from EMTELCO) and Zantel in Tanzania.

The report covers our operations in 12 markets and our corporate offices in Luxembourg, the US and the UK. Our African markets covered are Chad, Ghana, Rwanda, Senegal and Tanzania; while in Latin America we cover our operations in Bolivia, Colombia, Costa Rica, El Salvador, Guatemala, Honduras and Paraguay. As per our previous reports, this report does not include data from our operations in Nicaragua, as our business in that country focuses solely on fixed services for the corporate sector. Comparative data from 2015 covers operations as described above and in addition, operations from the Democratic Republic of Congo which we sold in April 2016.

Time boundaries for the CR performance data

Quantitative data in this report covers our progress and performance from Q4 2015 to Q3 2016, with these exceptions:

- Any headcount related data is reported against the financial year.
- Numbers of employee and contractor fatalities are reported against the financial year.
- In line with our business definitions, supplier Code of Conduct signings related data reflects 18 months of data; from Q2 2015 to Q3 2016.
- Number of whistleblowing cases; Code of Conduct and anti-bribery and anti-corruption (ABAC) training data are reported against financial year.
- Any other data point that may not be in line with the boundaries as described above are footnoted.

Independent limited assurance report

EY
Building a better working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

INDEPENDENT LIMITED ASSURANCE REPORT

To the Management and Directors of Millicom International Cellular S.A.

Scope of work

We have undertaken a limited assurance engagement in relation to the Millicom International Cellular S.A (Millicom) Corporate Responsibility Performance section (the Corporate Responsibility Report) of the Millicom Annual Report 2016.

The scope determined by Millicom for the preparation of this independent limited assurance report is described below:

Report section	Indicator Description	Reporting period
Executing our strategy	Employees and outsourced workforce	Q1 2016 – Q4 2016
	% of Senior managers recruited locally	Q4 2015 – Q3 2016
	Employees by gender	Q1 2016 – Q4 2016
	Turnover rate of all employees	Q1 2016 – Q4 2016
	Average number of hours of training provided	Q1 2016 – Q3 2016
Privacy and freedom of expression	Number of operations with processes in place aligned to Group Guideline to manage law enforcement requests	Q4 2015 – Q3 2016
	Number of law enforcement requests (Group)	
	Number of major events	Q1 2016 – Q4 2016
Acting responsibly: anti-corruption compliance	% of employees who acknowledged the Code of Conduct	Q4 2015 – Q3 2016
	% of employees who have completed the Code training	Q1 2016 –Q4 2016
	% of procurement staff trained on ABAC	
	% of senior managers trained on ABAC	
	% of employees who filled & signed the conflict of interest declaration form	Q4 2015 – Q3 2016
	Number of cases of unethical behaviour reported and investigated	Q1 2016 – Q4 2016
	Investigations resulting in written warning	
	Investigations resulting in termination of employee contract	
	Turnover of procurement staff	Q4 2015 – Q3 2016
Reducing our environmental footprint	Electricity and fuel consumption, and total energy consumption	Q4 2015 – Q3 2016
	Scope 1, 2 and 3 carbon emissions	
Promoting diversity	% of women in senior Management positions	Q1 2016 – Q4 2016
	Turnover rate for women under 30	
Taking care of our people	% of workforce represented in H&S committees	Q1 2016 – Q4 2016
	Number of Employee fatalities	
	Number of contractor fatalities	
	Number of H&S incidents reported	
	% Lost-time injury rate per 1,000 workers	
	Absentee rate	
Responsible supply chain management	% of strategic suppliers who have signed the Supplier Code of Conduct	Q2 2015 - Q3 2016
	% of all suppliers who have signed the Supplier Code	Q2 2015 - Q3 2016
	Number of suppliers invited to complete EcoVadis self-assessments to date, and number of improvement action plans implemented	June 2015 – Q4 2016
	% of procurement teams trained on responsible supply chain management	Q4 2015 – Q3 2016

The Millicom Corporate Responsibility Report was prepared in accordance with AA1000 AccountAbility Principles Standard 2008 (AA1000 APS 2008).

Criteria

Our review was carried out based on:

- AA1000 AccountAbility Assurance Standard 2008, with a moderate level of type 2 assurance.
- Standard ISAE 3000, Assurance Engagements, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited scope of assurance.

Management's Responsibility

The management of Millicom is responsible for the preparation and fair presentation of the Corporate Responsibility Report in accordance with the Criteria, and is also responsible for the selection of methods used in the Criteria. Further, Millicoms' management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Corporate Responsibility Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Assurance Practitioner's Responsibility

Our responsibility is to provide with independent third-party limited assurance of the content of Millicom's Corporate Responsibility Report 2016.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Corporate Responsibility Report, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

Independence

We have performed our work in accordance with the standards of independence required by the Code of Ethics of the International Federation of Accountants (IFAC).

Applied procedures

Our assurance procedures consisted in requesting information from Millicom Corporate Responsibility department and business areas participating in the preparation of the Corporate Responsibility Report and applying certain analytical procedures and sampling tests as described in general terms below:

1. Interviews with senior managers responsible for management of corporate responsibility issues and review of selected evidences to support issues discussed. The list of interviewees included Executives with overall responsibility for Millicom's corporate responsibility strategy and programmes and for specific functions, including supply chain, health and safety security and fraud. The purpose of these interviews was to obtain awareness of the Corporate Responsibility objectives and policies as well as how they are put into practice and integrated into Millicom's strategy
2. Review of Millicom's approach to stakeholder's engagement and outputs.
3. Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.
4. Checks on a sample basis of the quantitative information included in the Corporate Responsibility Report as well as its adequate compilation from data supplied by information sources. The tests have been defined to provide limited assurance levels in line with the criteria described in this report.
5. Site visits in Millicom's operations in El Salvador and Colombia to review process and systems for preparing site level corporate responsibility data and implementation of corporate responsibility strategy.

Independent limited assurance report – continued

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Conclusions
Based on our limited assurance procedures described above, nothing has come to our attention that causes us to believe that the Corporate Responsibility Report is not presented fairly, in all material respects, in accordance with the Criteria (the principles established in standard AA1000 APS 2008) such as:

1. Inclusiveness
   - Millicom has the mechanisms in place to identify stakeholders, as well as to gain an awareness and understanding of their expectations. Millicom has developed two registers in order to keep track of stakeholder engagement: one of them at a corporate level and the other one which compiles all the information regarding stakeholder engagement related to the top-20 priority stakeholders for each of the country operations. Millicom keeps track of contacts taken with stakeholders.
   - Millicom identifies and understands stakeholders, their capacity to engage, and their views and expectations both at global and local level. During the local visits to Colombia and El Salvador it has been observed that the local Corporate Responsibility representatives concretely engage locally with various stakeholders and organisation on various Corporate Responsibility initiatives.
   - Millicom has in place and has access to the necessary competencies and resources to operate the process of stakeholder participation.

2. Materiality
   - Materiality is analyzed and a survey conducted to select the most significant matters to be included in the Report, as described in its Materiality Matrix.
   - Millicom has in place and has access to the necessary competencies and resources to apply the materiality determination process.
   - Millicom takes into account the changing sustainability context and maturity of issues and concerns with regular meeting with its stakeholders.

3. Responsiveness
   - Millicom responds in a balanced way to material issues and responds in a way that addresses the needs, concerns and expectations of its identified stakeholders.
   - Millicom involves stakeholders and considers the relationship between the maturity of an issue and the appropriateness of a response.

Recommendations
We also presented to Millicom our recommendations regarding areas of improvement related to the application of standard AA1000 APS 2008 as well as to actions taken with main stakeholders. The most significant recommendations are summarised below:

1. Inclusiveness
   - Millicom has identified as required its stakeholders.
   - However our recommendation is to include key stakeholders such as customers and employees in the global stakeholder register and in the materiality reassessment. Moreover we recommend to formalise the process for identifying stakeholders and briefly describe it in the Corporate Responsibility Report.

2. Materiality
   - Millicom performed a materiality study which takes into account the views of its stakeholders to establish the importance of the materiality issues.
   - Going forward, we recommend Millicom to further develop the materiality assessment process at local level with the Corporate Responsibility representatives as already initiated in Colombia.

3. Responsiveness
   - Given its high materiality to Millicom's business we recommend Millicom to increase the resources to be allocated to Health and Safety, in order to ensure that all appropriate analysis, actions and follow-up are performed and communicated to the stakeholders.

Ernst & Young
Société Anonyme
Cabinet de Révision Agréé

Olivier Lemaire
Partner

David Cau
Director

Luxembourg, 7 February 2017

AA1000
Licensed Assurance Provider
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Governance

For the year ended 31 December 2016.

Chairman's Report

The Governance section of Millicom's 2016 Annual Report sets out Millicom's commitment to good corporate governance and describes what has been achieved during the year. I was appointed as Chairman in May 2016, together with three other new Board members, and I strongly believe that we have the right mix of skills and experience in place.

In addition, Millicom's executive management team, led by Mauricio Ramos, is now complete following the appointment of new members to the Executive Management team.

Millicom's Board of Directors "the Board" and its committees have dealt with a number of significant matters during the year, including the setting up of the Compliance and Business Conduct Committee and a strengthening of our compliance program. Governance and compliance remain at the forefront of decision making and strategic direction. During the year, the activities of the former Government Relations and Corporate Responsibility Committee were assumed by the full Board. This area now benefits from a more diverse experience that can be brought to bear on the broad range of topics and geographical spread of these issues.

Role of the Board

The Board is responsible for deciding Millicom's strategy, financial objectives and operating plans. The Board also plans for CEO succession and reviews and approves plans for other senior management positions.

Board changes

During 2016, we welcomed four new Board members, all of whom joined us in May 2016. Ms. Janet Davidson brings to the Board significant experience in the telecommunications and IT sectors in a variety of strategy, operations and compliance areas. Ms. Davidson is a member of the Compliance and Business Conduct Committee.

Mr. Simon Duffy also brings us extensive knowledge in telecommunications and media businesses and in emerging markets, and his experience from many board roles. Mr. Duffy is a member of the Audit Committee.

Mr. José Miguel García Ferrández joins us having previously been the CEO of Jazztel in Spain and formerly various positions within Cable & Wireless. Mr. García brings to the group his broad experience in leading transformational telecommunications businesses in international markets. Mr. García is Deputy Chairman of the Board and serves as a member of the Audit Committee and the Compensation Committee.

In addition, I joined the Board as Chairman. I am also the Chairman of Kinnevik AB, Millicom's largest shareholder and have various other non-executive director roles across a range of industries.

I would like to thank Ms. Cristina Stenbeck, Mr. Anders Borg, Dame Amelia Fawcett and Mr. Paul Donovan, the departing members of the Board, for their service to the Board and its committees.

Strength through diversity

Building strong governance functions and acting with integrity remain at the forefront of our commitment to good corporate governance, a commitment that will continue in the decisions we make.

Millicom's strength is partly attributable to the diversity of people in our operating countries, regional offices and headquarters. We value different perspectives and encourage sharing of viewpoints, benefiting from the wide range of experience and backgrounds across the Group. These are important elements that we will continue to foster as part of Millicom's corporate culture.

Compliance

During 2016, we continued a thorough review of our compliance programs, supported by the Executive Management and our Compliance and Business Ethics team, to further strengthen the practices we already have in place. Executive Management fully dedicated itself to this process through several initiatives and enhancements this year, as discussed herein. In its first full year of operation the Compliance and Business Conduct Committee led this transformational process.

On behalf of the Board, I would like to confirm our commitment to strong corporate governance. We are committed to contributing to build a first class Millicom culture of compliance and we reassert our belief that Millicom can be a force for good through our dedication to ethics and compliance in all of our markets. We look forward to engaging with you and thank you for being part of our journey.

Tom Boardman
Chairman of the Board of Directors

Directors' Financial and Operating Report[1]

Group performance

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

The scope changes that occurred on 31 December 2015 (see "scope changes" section on page 28) make the performance and results of the Group not directly comparable between 2015 and 2016 – results for the year ended 31 December 2015 included Guatemala and Honduras fully consolidated while those for 2016 do not.

In 2016, total revenue for the Group was US$4,374 million. In Colombia, our largest market, we saw competitive pressures throughout 2016, although easing somewhat at the end of the year.

Gross profit was US$3,096 million, or a margin of 70.8%.

Operating expenses represented only 40.7% of revenue. Operational efficiencies achieved during the first year of our Project HEAT initiatives underpinned our margins and cash flow, delivering a lower operating cost run rate as well as Capex and working capital savings during 2016.

Our operating profit amounted to US$482 million, an 11% margin.

Net financial expenses were US$372 million, including one-off costs in respect of our tender offers in December 2016 for US$300 million of outstanding bonds, and for the early redemption of our Swedish Krona bond due in 2017.

Profit before taxes at US$71 million included the effects of the increase in interest expenses described above as well as the impairment of the value of our interest in LIH, an equity investment.

The Group net tax charge in 2016 was US$180 million leaving a net loss for the year from continuing operations at US$(109) million. The profit of US$19 million from discontinued operations reflected the profit on the sale of our business in DRC. As a result, the net loss for the year was US$(90) million. The share of losses of non-controlling interests was US$58 million.

The net loss for the year attributable to Millicom owners was US$(32) million. Earnings per share was (0.32) cents.

Share Capital

At 31 December 2016, Millicom had 101.7 million issued and paid up common shares of par value US$1.50 each, of which 1.4 million were held by the Company as treasury shares (2015: 1.6 million). During the year the Company acquired approximately 37,000 shares and issued around 208,000 shares to management and employees under the LTIP remuneration plans and approximately 8,000 shares to Directors as part of their annual remuneration.

Distribution to shareholders and proposed distributions

On 17 May 2016, at the Annual General Meeting of shareholders, a dividend distribution of US$2.64 per share was approved, and subsequently paid to shareholders.

This year's proposed dividend is consistent with distributions in 2015 and 2016.

1 Alternative performance measures presented in this report are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and used to make decisions about operating matters. It should not be viewed in isolation or as an alternative to the equivalent GAAP measure. See "Additional information" on pages 197 to 200 for definitions and reconciliations to the closest respective equivalent IFRS measure.

Directors' Financial and Operating Report – continued

Risks and uncertainty factors

The Group operates in an industry and in markets which are characterized by rapid change and subject to macro-economic, competitive and political uncertainty. This change creates opportunities and at the same time a degree of risk. Many of the inherent underlying risks in these markets, including regulatory change (including tariff controls and taxation), currency fluctuations and underlying macro-economic conditions, impact on customers' disposable income and demand for our products and services. The telecommunications, cable and content industries continue to evolve at an unprecedented pace, with access to the internet and streaming services gathering pace and spreading to all parts of the world. Staying competitive in this increasingly diverse business requires constant innovation, a strong focus on customer experience, offer of relevant products and services, strategic partnerships, quality of content, service and speed of delivery.

Access to, and investing capital in the right place at the right time, directly impacts on competitive advantage, and decision making in this regard remains key to ensuring a balance of risk and return in the Group.

Further information on these and other key risks faced by the Group are set out in section Risk Management from pages 31 to 44.

Financial risk management objectives and policies

Millicom's financial risk management policies and objectives, together with a description of the various risks and hedging activities undertaken by the Group, are set out in Section D. Financial Risk Management of the Consolidated Financial Statements.

Controls and risk management in preparation of the consolidated financial statements

Internal controls and additional information on the preparation of the Consolidated Financial Statements are set out in section Risk Management from pages 31 to 44.

Non-financial information

Non-financial information such as environmental, social, human rights and fight against corruption are set out in section Corporate Responsibility Performance Review from pages 60 to 87 of this Annual Report.

Management and employees

Over recent years, the Group has developed many key functions and improved support to local operations, including in the areas of procurement, network development, marketing, IT, governance, compliance and finance. During 2016 the remaining Executive Management team positions of Chief Human Resources Officer, Chief Strategy Officer and Chief Compliance Officer were filled.

At 31 December 2016, the Group's headcount reached approximately 18,000 up from almost 16,000 at 31 December 2015.

Outlook for the Group

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 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 our 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.

By growing EBITDA and targeting our investment program on our areas of core revenue growth – fiber and 4G network roll-out with converged IT infrastructure – we expect to deliver operating cash flow growth in 2017 of around 10%.

Subsequent events

Dividend

On 7 February 2017, Millicom's Board decided to propose to the Annual General Meeting of the shareholders a dividend distribution of US$2.64 per share to be paid out of Millicom retained profits subject to the shareholders' approval of the 2016 Consolidated Financial Statements of the Group.

TV Cable Parana

On 6 January 2017, after obtaining the necessary regulatory approvals, Tigo Paraguay completed the acquisition of TV Cable Parana for a total consideration of approximately US$19 million.

Tigo Senegal and HTA

We have agreed to sell our business in Senegal to Wari Group, subject to regulatory approvals. The transaction represents an enterprise value for Tigo Senegal of US$129 million. We have also initiated a process to sell our 22% stake in Helios Towers Africa.

Tom Boardman
Chairman of the Board of Directors

Shareholder and Board governance

Corporate Governance Framework

Background

Millicom International Cellular S.A. (“Millicom” or the “Company”) is a public liability company (société anonyme) governed by the Luxembourg law of 10 August 1915 on Commercial Companies (as amended), incorporated on 16 June 1992, and registered with the Luxembourg Trade and Companies’ Register (Registre du Commerce et des Sociétés de Luxembourg) under number B 40 630. The Millicom Group comprises Millicom and its subsidiaries, joint ventures and associates.

Millicom’s shares are listed on Nasdaq Stockholm in the form of Swedish Depository Receipts.

Millicom’s Corporate Governance Framework is primarily based on the following legislation, principles and regulations:

Within these frameworks, the Board has developed and continuously evaluates internal guidelines and procedures, as further described below, to ensure quality and transparency of corporate governance practices within Millicom.

Swedish Corporate Governance Code

The Swedish Corporate Governance Code (the “Swedish Code”) promotes positive development of corporate governance. The Code complements laws and regulations and sets its good practice level above regulatory requirements. The Swedish Corporate Governance Board states that self-regulation is often preferable to mandatory legislation and therefore allows companies to deviate from its rules, following a “comply or explain” philosophy.

Compliance with applicable stock exchange rules

There has been no infringement of applicable stock exchange rules and no breach of good practice on the securities market reported by the stock exchange’s disciplinary committee or the Swedish Securities Council in 2016.

Publication	Authority	Philosophy
Swedish Code of Corporate Governance	Guiding Principles	Comply or Explain
Luxembourg Law	Legislation	Comply
EU Directives and Regulations	Legislation	Comply
Nasdaq Stockholm Issuer Rule Book	Regulation	Comply
Good Stock Market Practice	Principles	Corporate Citizenship

Millicom governance deviated in 2016 in relation to the Swedish Code in the following areas:

Code requirement	Millicom practice	Explanation
1.5 – A shareholder, or a proxy representative of a shareholder, who is neither a member of the board nor an employee of the company is to be appointed to verify and sign the minutes of the shareholders’ meeting.	Minutes are signed by the chairman of the shareholders’ meeting (who is not a member of the Board or the Company), the meeting Secretary and an appointed Scrutineer.	While this represents a deviation from the Swedish Code, Millicom follows Luxembourg Law in connection with procedures and rules for its shareholders’ meetings.
9.7 – Vesting of share-related incentive programs to be no less than three years.	Deferred share incentive plans contain vesting of 16.5% of granted shares after one year, 16.5% after two years, and 67% after three years.	The Company believes that this vesting schedule ensures alignment between the interests of the Company’s shareholders and its employees.

Shareholder and Board governance – continued

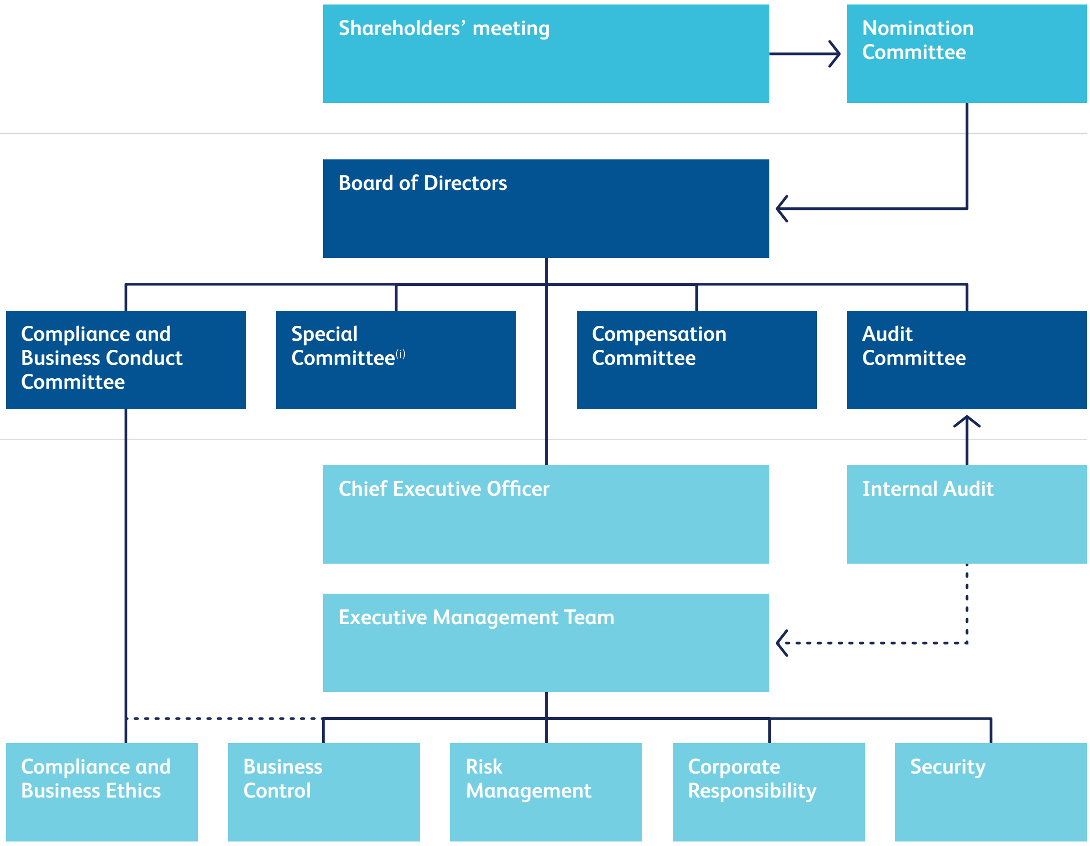
Corporate Governance structure

Millicom's Corporate Governance structure comprises the following three levels:

1.
Shareholders and representatives of shareholders.

2.
Board of Directors and Committees appointed by the Board from among its members.

3.
CEO and Executive Management, and its main functions managing governance, risk, compliance and ethics, corporate responsibility, controls and security.



(i) The special committee was established in 2015 to manage the Board's response to the potential improper payments on behalf of its Guatemala joint venture.

Shareholder and Board governance – continued

1. Shareholders and shareholders' meeting

The shareholders' meeting is the highest decision-making body of Millicom and a forum for shareholders to exercise influence. Each shareholder has the right to participate in the shareholders' meeting and to vote according to the number of shares owned. Shareholders who are not able to attend in person may exercise their rights by proxy.

Millicom's Articles of Association (as amended on 17 May 2016) set the Annual General Meeting of Shareholders (AGM) to be held on the first Thursday of May at 10am CET each year. If such day is a public holiday, the meeting will be held during the following business day. Millicom's Articles of Association are available in the "Our Governance" section of Millicom's website. Unless otherwise required under Luxembourg law, an extraordinary general meeting must be convened to amend any provisions of the Articles of Association.

The 2016 AGM was held on 17 May 2016, within six months of the end of the financial year (as required by the Swedish Code). At the 2016 AGM, the following key items were decided:

- Approval of the 2015 Consolidated Financial Statements and distribution of a dividend of $2.64 per share;
- Election and re-election of the Directors until the date of the 2017 AGM;
- Reappointment of Ernst & Young ("EY") as the external auditor;
- Approval of remuneration to the Board and auditor and procedures for the Nomination Committee;
- Approval of guidelines for the remuneration of senior management;
- Approval of a Share Repurchase Plan; and
- On the same date an Extraordinary General Meeting was held during which several amendments were made to the Articles of Association of the Company, including amendment of the date in which the AGM will be held in 2017.

Nomination Committee

Nomination Committee	On behalf of:	Position
Ms. Cristina Stenbeck	Kinnevik AB	Chairman
Mr. Tom Boardman	Kinnevik AB	Member
Mr. John Hernander	Nordea Investment Funds	Member
Mr. Ossian Ekdahl	Första AP-fonden	Member

The Nomination Committee is appointed by the major shareholders of Millicom. It is not a committee of the Millicom Board. The Nomination Committee's role is to propose decisions to the shareholders' meeting in a manner which promotes the common interests of all shareholders. The Nomination Committee has a term of office commencing at the time of the announcement of the interim report for the period January to September each year and ending when a new Nomination Committee is formed. Decisions proposed at the AGM are as follows:

- Election and remuneration of Directors of the Board, Chairman of the Board;
- Appointment and remuneration of the external auditor; and
- Proposal of the Chairman of the AGM.

Under the terms of a Nomination Committee charter, the Nomination Committee consists of at least three members, with a majority representing the larger shareholders of the Company.

The current Nomination Committee was formed during October 2016, in consultation with larger shareholders of the Company at 31 August 2016 and in accordance with the resolution of the 2016 AGM.

The table below sets out beneficial ownership of Millicom common shares, par value $1.50 each, by each person who beneficially owns more than 5% of Millicom common stock at 31 January 2017.

Shareholder	Number of shares	% Shareholding
Kinnevik AB	38,559,080	37.9
Dodge & Cox	11,133,236	10.9
Nordea Investment Management AB	5,979,886	5.9

Except as otherwise indicated, the holders listed above ("holders") have sole voting and investment power with respect to all shares beneficially owned by them. The holders have the same voting rights as all other holders of Millicom common stock. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date which such person or group of persons has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by the holders on a given date, any security which such holder has the right to acquire within 60 days after such date (including shares which may be acquired upon exercise of vested portions of share options) is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Promoting Board diversity

Millicom's Nomination Committee recognizes the importance of diversity in its Board of Directors for promoting strong corporate governance, competitive advantage and effective decision-making.

The Nomination Committee is responsible for periodically determining the appropriate skills, perspectives, experiences and characteristics required of Board candidates, taking into account the Company's needs and current Board composition.

This determination will include knowledge, experience and skills in areas that are critical to understanding the Company and its business; richness of views brought by different personal attributes such as gender, race, age and nationality; and other personal characteristics, such as integrity and judgment; and candidates' commitment to the boards of other publicly-held companies. The ambition to further improve gender diversity on the Board has been added to the Nomination Committee charter.

Shareholder and Board governance – continued

Independence of the Board:

Board of Directors	Chairman, Deputy Chairman and six members
Non-Executive Directors	100% Tom Boardman, Odilon Almeida, Simon Duffy, Tomas Eliasson, Alejandro Santo Domingo; Janet Davidson, José Miguel García Fernández, Lorenzo Grabau
Independent from the Company and its Executive Management	
Not independent of the major shareholders	25% Tom Boardman, Lorenzo Grabau

2. Board of Directors and Board committees

Role of the Board

Millicom's Board of Directors (the "Board") is responsible for deciding Millicom's strategy, financial objectives and operating plans. The Board also plans for management succession of the CEO and reviews and approves plans for other senior management positions.

As set forth in the Company's Articles of Association, the Board must comprise at least six members. The 2016 AGM set the number of Directors at eight, comprising a Chairman, a Deputy Chairman and six members (all of whom are Non-Executive Directors).

The Board selects the CEO, who is charged with the daily management of the Company and its business. The CEO is responsible for recruiting, and the Chairman of the Board is responsible for approving, the senior management of the company. The Board reviews and approves plans for key senior management positions, and the Board supervises, supports and empowers the senior management team, and monitors their performance. In accordance with the Swedish Code, the division of work between the Board and the CEO are set out in "The Rules of Procedure, Instruction to the CEO, and Reporting Instruction".

Further details on the roles and activities of the various committees, their responsibilities and activities are set out later in this section.

Powers and limitations of the Board

Borrowing powers – The Board has unrestricted borrowing powers on behalf of and for the benefit of Millicom.

Time and age limit – no age limit exists for being a Director of Millicom. Directors can be elected for a maximum period of six years before either re-election, or ending service. Directors are generally elected annually. There are no restrictions on the maximum continuous period that a Director can serve. Directors hold office until their successors are elected.

Restrictions on voting – no contract or other transaction between the Company and any other person shall be affected or invalidated by the fact that any Director, officer or employee of the Company has a personal interest in, or is a director, officer or employee of such other person, except that:

i) such contract or transaction shall be negotiated on an arm's-length basis on terms no less favorable to the Company than could have been obtained from an unrelated third party and, in the case of a Director, the Director shall abstain from voting on any matters that pertain to such contract or transaction at any meeting of the Board of the Company, and
ii) any such personal interest shall be fully disclosed to the Company by the relevant Director, officer or employee.

In the event that any Director or officer of the Company may have any personal interest in any transaction of the Company, the Director shall make known to the Board such personal interest and shall not consider or vote on any such transaction, and such transaction and such Director's or officer's interest therein shall be reported to the next general meeting of shareholders.

Share ownership requirements – the Directors are not required to be shareholders of the Company. Share ownership of Directors is included in the Director biographies set out on the following pages.

Chairman of the Board

The Chairman convenes the Board and leads its work. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the CEO. Meeting agendas are set together with the CEO, and the Chairman acts as the communicator for Board decisions where appropriate.

The Chairman is elected by the AGM. If the Chairman relinquishes the position during the mandate period, the Board is to elect a Chairman from among its members to serve until the end of the next AGM.

Deputy Chairman of the Board

The Deputy Chairman of the Board acts as a sounding board and provides support for the Chairman. The Deputy Chairman convenes Board meetings and leads its work in the event the Chairman is unavailable or excused from Board meetings. The Deputy Chairman may act as an intermediary for other Directors if there are conflicts among Board members or between the Chairman and the CEO, as and when necessary.

The Deputy Chairman is elected by the Board, if appropriate. The position of Deputy Chairman is not mandatory and varies according to the particular circumstances.

Shareholder and Board governance – continued

Corporate Secretary

The Corporate Secretary is appointed by the Board. The role of the Corporate Secretary is to ensure that Board members have the proper advice and resources for performing their duties to shareholders under the relevant legal frameworks. The Corporate Secretary is also responsible for organization and coordination of Board and Committee meetings, and ensuring that the records, or minutes those meetings, reflect the proper exercise of those duties.

The Corporate Secretary is also a confidante and resource to the Board and senior management, providing advice and counsel on Board responsibilities and logistics, and plays a leading role in the Company's corporate governance.

Chief Executive Officer

The CEO is responsible for leading the development and execution of the Company's strategy with a view to creating shareholder value, together with the management team. The CEO is responsible for day-to-day activities of the Company and management decisions, both operating and financial. The CEO acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management.

The CEO also leads communication on behalf of the Company to shareholders, employees, Government authorities, other stakeholders and the public.

Board membership, balance and independence

The Board periodically reviews the size and balance of the Board to determine whether any changes are appropriate.

At the AGM, held in May each year, shareholders may vote for or against the Directors proposed by the Nomination Committee or may elect different Directors.

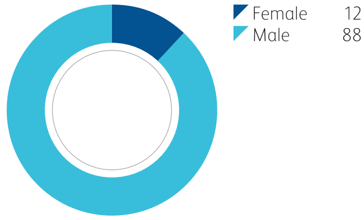
The Board has adopted the qualification guidelines of an "independent director" as defined by the Swedish Code. A director's independence is determined by a general assessment of all factors that may give cause to question the individual's independence of the Company or its Executive Management. Factors that are considered include whether the individual:

- is the chief executive officer or has been the chief executive officer of the Company or a closely related company within the last five years,
- is employed or has been employed by the Company or a closely related company within the last three years,
- receives a not insignificant remuneration for advice or other services beyond the remit of the Board position from the Company, a closely related company or a person in the executive management of the Company;
- has or has within the last year had a significant business relationship or other significant financial dealings with the Company or a closely related company as a client, supplier or partner, either individually or as a member of the Executive Management, a member of the Board or a major shareholder in a company with such a business relationship with the Company,
- is or has within the last three years been a partner at, or has as an employee participated in an audit of the Company conducted by, the Company's or a closely related company's current or then auditor,
- is a member of the executive management of another company if a member of the board of that company is a member of the Executive Management of the Company, or
- has a close family relationship with a person in the executive management or with another person named in the points above if that person's direct or indirect business with the Company is of such magnitude or significance as to justify the opinion that the Board member is not to be regarded as independent.

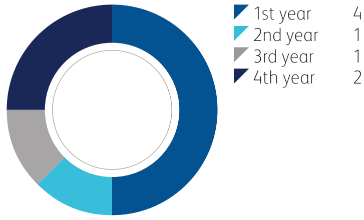
In accordance with the Swedish Code:

- the majority of Millicom's Board must be independent from the Company and its Executive Management (all Millicom Directors meet this criteria), and
- at least two of those independent Directors must also be independent from the Company's major shareholders (six of Millicom's Directors meet this criteria); and
- not more than one member of the Board may be part of the executive management team of the Company or any of its subsidiaries (no members of the executive team sit on the Board).

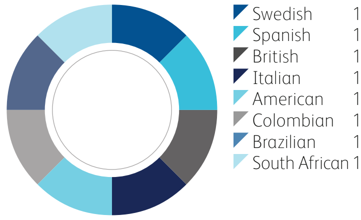
Gender of the Board %



Tenure of Directors



Nationalities



Shareholder and Board governance – continued

Board profile – skills and experience

Mr. Tom Boardman (South African)
Chairman, Non-Executive Director
(First appointed: May 2016)

Mr. Tom Boardman was elected as a new Director and Chairman of the Board of Millicom in May 2016. He is a member of the Compensation Committee, the Audit Committee, and the Compliance and Business Conduct Committee.

Mr. Boardman (1949) is Chairman of the Board of Kinnevik AB ("Kinnevik"), a leading Swedish entrepreneurial investment group with investments across mobile telecommunications, e-commerce, entertainment and financial services.

He was elected to the Kinnevik Board in 2011 and elected Chairman in May 2016.

Mr. Boardman is also a Non-Executive Director of Nedbank Group, Woolworths Holdings and African Rainbow Minerals, and was a Non-Executive Director of Vodacom Group between 2009 and 2011.

Mr. Boardman held various managerial positions within the South African mining and retailing industries during 1973 to 1986 and was founder and Managing Director of the Boardmans chain of retail houseware stores in South Africa. Between 1986 and 2002 he held managerial positions within the BoE Bank and during 2003 to 2010 he was Chief Executive of Nedbank Group.

Mr. Boardman holds a Bachelor of Commerce degree and CTA from the University of Witwatersrand in South Africa and is a chartered accountant having served his articles with Deloitte.

Mr. Boardman brings to the Millicom Board in-depth experience in corporate governance and oversight of both technology driven entrepreneurial businesses as well as financial groups and retail businesses.

Independent from the Company and its Executive Management but **Non-Independent** due to his significant affiliation to the major shareholder Kinnevik AB.

Millicom shareholding at 31 January 2017: 3,000 shares.

Mr. José Miguel García Fernández (Spanish)
Deputy Chairman, Non-Executive Director
(First appointed: May 2016)

Mr. García was elected a new member and Deputy Chairman of the Board of Millicom in May 2016. He is a member of the Audit Committee and the Compensation Committee.

Mr. García (1962) was previously Co-Chief Executive Officer of Orange España. Between 2006 and 2015 he was CEO of the Spanish telecommunications operator Jazztel, and he held various managerial positions within Cable & Wireless from 2000 to 2006, including Managing Director of UK & Ireland as well as CEO of Panama.

Mr. García holds a BSc in Electrical & Electronic Engineering and Postgraduate in Digital Telecommunications from Monash University in Australia.

Mr. García contributes to Millicom's Board his relevant experience as an entrepreneurial Chief Executive Officer within the telecommunications and cable sectors.

His international background will also further broaden the Board's global perspective and understanding of the dynamics of the markets in which Millicom operates.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 6,553 shares.

Shareholder and Board governance – continued

Mr. Odilon Almeida (Brazilian)
Non-Executive Director
(First appointed: May 2015)

Mr. Odilon Almeida was elected as a member of the Board of Millicom in May 2015 and re-elected in May 2016. He is Chairman of the Compliance and Business Conduct Committee.

Mr. Almeida (1961) is the President for the Americas and European Union Region at the Western Union Corporation. With a 14-year tenure, Mr. Almeida is spearheading the digital transformation and growth of the company. He leads 98 countries across North America, Latin America, the Caribbean and Europe.

With a 30-year career in global financial, telecom and fast moving consumer goods sectors, Mr. Almeida brings a leadership style anchored in growth acceleration and business turnarounds involving digital transformation, organic growth and successful M&A.

His board experience, along with business leadership at Western Union, Millicom, BankBoston (now Bank of America), The Coca-Cola Company and Colgate-Palmolive, has given him deep knowledge of corporate governance, general management, technology platforms, regulatory and compliance, as well as consumer insights of developed and emerging nations.

Mr. Almeida has a bachelor's degree in Civil Engineering from Maua Engineering School in São Paulo, Brazil, and in Business Administration from the University of São Paulo, and also holds an MBA with specialization in Marketing from the Getulio Vargas Foundation, São Paulo. He advanced his education at IMD Lausanne, The Wharton School, and Harvard Business School.

Mr. Almeida strengthens the Millicom Board with decades of experience from the financial services and Fintech sectors.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 1,553 shares.

Ms. Janet Davidson (American)
Non-Executive Director
(First appointed: May 2016)

Ms. Janet Davidson was elected as a new member of the Board of Millicom in May 2016. She is a member of the Compliance and Business Conduct Committee.

Ms. Davidson (1958) is currently a Supervisory Board member of STMicroelectronics.

Ms. Davidson held various managerial positions in Alcatel Lucent from 1979 to 2011 including the role as Chief Strategy Officer, Chief Compliance Officer and Executive Vice President, Quality & Customer Care.

She has been a Member of Supervisory Board of STMicroelectronics since June, 2013. She serves as a Member of the Advisory Board. She has also been recognized by Working Woman Foundation with one of its first Women Enabling Science and Technology awards in 2001.

In 1999, she was inducted into the Academy of Women Achievers of the YWCA of the City of New York, which honors women of high achievement.

She brings to Millicom's Board her long experience in the telecommunications and IT sectors.

Ms. Davidson received a Bachelor of Arts degree in physics from Lehigh University, a Master of Science degree in Electrical Engineering from Georgia Tech, and a Master of Science in Computer Science through Bell Laboratories.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 895 shares.

Shareholder and Board governance – continued

Mr. Simon Duffy (British)
Non-Executive Director
(First appointed: May 2016)

Mr. Simon Duffy was elected as a new member of the Board of Millicom in May 2016. He is a member of the Audit Committee.

Mr. Duffy (1949) is Non-Executive Chairman of YouView TV and a Non-Executive director of Modern Times Group, Oger Telecom and Wizz Air.

Mr. Duffy was Executive Chairman of Tradus until the company's sale in March 2008. He was also Executive Vice Chairman of ntl:Telewest until 2007, having joined ntl in 2003 as CEO. He has also served as CFO of Orange, CEO of wireless data specialist End2End, CEO and Deputy Chairman of WorldOnline International, and held senior positions at EMI Group and Guinness.

Mr. Duffy holds a BA from Oxford University and an MBA from Harvard University.

He brings to Millicom's Board his extensive experience in telecommunications and media businesses as well as emerging markets.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 895 shares.

Mr. Tomas Eliasson (Swedish)
Non-Executive Director
(First appointed: May 2014)

Mr. Tomas Eliasson was elected as a member of the Board of Millicom in May 2014 and has been re-elected each year since. He chairs the Audit Committee.

Mr. Eliasson (1962) is Executive Vice President, Chief Financial Officer of Sandvik.

Previously Mr. Eliasson was the Chief Financial Officer and Senior Vice-President of Electrolux, the Swedish household and professional appliances manufacturer.

Mr. Eliasson has also held various management positions in Sweden and abroad, at the leading power and automation technologies company ABB Group, from 1987 to 2002.

Mr. Eliasson was Chief Financial Officer of the tools manufacturer Seco Tools AB from 2002 to 2006 and Chief Financial Officer of the intelligent lock and security solutions company Assa Abloy AB from 2006 to 2012.

Mr. Eliasson holds a Bachelor of Science Degree in Business Administration and Economics from the University of Uppsala.

Mr. Eliasson brings to the Millicom Board his significant experience as a CFO for multinational and global Swedish companies, roles in which he has driven a number of important and effective processes and procedures within global finance functions.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 2,140 shares.

Shareholder and Board governance – continued

Mr. Lorenzo Grabau (Italian)
Non-Executive Director
(First appointed: May 2013)

Mr. Lorenzo Grabau was elected to the Board of Millicom in May 2013 and has been re-elected each year since. He is the Chairman of the Compensation Committee.

Mr. Grabau (1965) is the former Chief Executive Officer of Kinnevik.

Mr. Grabau began his career as an analyst for the investment bank Merrill Lynch, in the mergers and acquisitions department, before joining Goldman Sachs International, where he later became Partner and Managing Director (1999).

Mr. Grabau is a member of the Board of Directors of the leading European fashion e-commerce company Zalando SE, of the telecommunications operator Tele 2 AB, and of the Nordic e-commerce and financial services provider Qliro Group AB.

Mr. Grabau holds a degree in Economics and Business from La Sapienza University, Italy.

Mr. Grabau brings to the Millicom Board his experience from leadership positions within the Consumer/Retail and Media/Online industry practices of Goldman Sachs, and his experience on Boards of entertainment and technology companies, as well as his former role as CEO of Kinnevik.

Independent from the Company, its Executive Management, but **Non-Independent** due to his former role as CEO of the major shareholder Kinnevik AB.

Millicom shareholding at 31 January 2017: 5,140 shares.

Mr. Alejandro Santo Domingo (Colombian)
Non-Executive Director
(First appointed: May 2013)

Mr. Alejandro Santo Domingo was first elected to the Board of Millicom in May 2013 and has been reappointed each year since. He is a member of the Compliance and Business Conduct Committee.

Mr. Santo Domingo (1977) is a Senior Managing Director at Quadrant Capital Advisors, Inc. in New York City.

He is a member of the Board of Directors of Anheuser-Busch Inbev (ABI) having previously been a board member at SABMiller Plc and Vice-Chairman of SABMiller Plc for Latin America.

Mr. Santo Domingo is Chairman of the Board of Bavaria S.A. in Colombia, and Chairman of Backus & Johnston, in Peru. He is Chairman of the Board of Valorem, a company which manages a diverse portfolio industrial & media assets in Latin America.

Mr. Santo Domingo is also a director of JDE (Jacobs Douwe Egberts) Keurig Green Mountain; Florida Crystals, the world's largest sugar refiner; Caracol TV, Colombia's leading broadcaster; El Espectador, a leading Colombian Daily; and Cine Colombia, Colombia's leading film distribution and movie theater company.

In the non-profit sector, he is Vice Chairman of the Wildlife Conservation Society, a Member of the Board of Trustees of the Metropolitan Museum of Art, and the Educational Broadcasting Corporation (WNET Channel Thirteen).

Mr. Santo Domingo is a Member of the Board and Treasurer of Aid for AIDS, a foundation dedicated to helping HIV and AIDS patients; and Chairman of Alas, a foundation focused on early childhood development which was founded by artists such as Shakira & Alejandro Sanz.

Mr. Santo Domingo is a Member of the Board of DKMS Americas; a foundation dedicated to finding donors for leukemia patients. He is a Member of the Board of Endeavor Colombia and Fundacion Pies Descalzos.

Mr. Santo Domingo holds a Bachelor of Arts Degree from Harvard University.

Independent from the Company, its Executive Management, and its major shareholders.

Millicom shareholding at 31 January 2017: 7,140 shares.

Shareholder and Board governance – continued

Board program

The Board's annual program includes

- Company strategy and strategic direction
- Operating and financial performance review
- Governance and compliance matters
- Corporate Responsibility
- Government relations
- Corporate culture
- External financial reporting
- Risk management
- Dividend policy
- Evaluation of CEO and self-evaluation
- Human Resource matters including compensation, health, safety and well-being

Summary of Board activities in 2016

The Board of Directors has an annual program which consists of specific areas of focus that the Board has a role to oversee and advise the Company on.

There will be specific projects and topics that will arise in the normal course of business which will be added to the program of the Board.

Some of these topics are dealt with in the specific Board committees.

Summary of areas of focus in 2016

Activity/issues covered	Board actions
Reports of committees	• The Board regularly reviewed reports from its Audit, Compliance and Business Conduct, Special, and Compensation Committees on recent activities. • Discussion of Nomination Committee Director appointment proposals.
Incorporation of committee activities	• Incorporation of the activities previously delegated to the Government Relations and Corporate Responsibility Committee into the agenda of the full Board.
Operational Review	• Priorities and challenges for each of the Latin American and African businesses were regularly presented and discussed by the Board, including development of cable and mobile data businesses, efficiency measures and capital expenditure allocation.
Strategic Review	• The Board discussed with the Executive Team industry and geographic trends and the operational and financial strategy for each region of the Group, including the portfolio strategy.
Organizational structure	• The Board approved new hires into the Executive Team and management organizational and reporting structures.
Budget	• The Board discussed and approved the 2017 budget.
Review and approval of capital structure and dividend	• Refinancing of the Swedish Krona bond. • Amendment of existing terms and conditions of certain bonds. • Additional financing in several markets. • Recommendation of a dividend of $2.64 per share to the 2016 AGM.
Review and approval of corporate governance matters	• Revisions to the Corporate Policy Manual (including Board and Committee charters). • Updates to the Authority matrix. • Election of Committee members.
Mergers, acquisitions and disposals	• The Board discussed acquisition and disposal developments across the Group, including approval of transactions such as the sale of the Group's business in the Democratic Republic of Congo.
Review and approval of financial reports	• 2015 Annual Report including the 2015 Consolidated Financial Statements of the Group, and interim consolidated financial statements. • Standalone financial statements of the parent company.
The external affairs organization	• Review of the the finalized external affairs strategic framework and functions for suitability for the organization's need.
Political environment	• Periodical reviews of the political situation per market with a specific focus on election periods and advice on risk management required in relation thereto.
Government relations, engagement and regulatory affairs	• Review of the state of government relations in markets and internationally. • Review of regulatory and engagement challenges with advice from the Board on best practice engagement strategy.
Millicom's non-financial performance	• Review of main non-financial performance and trends. • Recommendation for continued focus in line with existing non-financial focus areas.
Update on privacy and freedom of expression issue	• Updates provided to the Board on continued proactive approach being taken by Millicom in relation to these issues, including specific country cases. The Board recognizes the significant importance of these topics and is supportive of continued efforts to improve engagement and in-house expertise in this area.
Child Protection	• Briefing of the Board of Millicom's efforts in child protection and risk areas relating to the same.
Gender diversity program	• Update to the Board on transfer of ownership of internal gender diversity program to the HR function.

Shareholder and Board governance – continued

Induction and training

Incoming Board members are provided with information on their roles and responsibilities, operating procedures and information on Millicom's business and industry. Access to governance documents, policies and procedures, as well as meeting materials and Company information is provided through a secure online tool, in meetings set with the Executive Management team, and in ongoing dissemination of information.

Training programs covering key topics such as anti-bribery and corruption, ethics, independence and insider trading are provided. On an ongoing basis the Board receives detailed reports on specific areas that support their understanding of Millicom's business and operating environment.

Millicom Directors also attend an annual visit to one of Millicom's operations, during which time they are informed of the specific characteristics of the local market, conduct field trips to see aspects of the business in operation, and interact with local management.

Board effectiveness

The Board conducts an annual performance review process, wherein each Board member's personal performance is also reviewed. The review process involves an assessment of the Board's and its committees' actions and activities during the year against the Board's mandate as determined in the Board Charter (and those of its various committees).

The evaluation of the Board's performance during 2016 was conducted by the Chairman of the Board by way of a formal questionnaire covering areas such as the Board's performance against its key duties, the Board's composition and processes, as well as the performance of individual Board members. The results of the evaluation were presented to the Nomination Committee by the Chairman of the Board, and were also reported in full to the Nomination Committee in writing.

Board meetings/attendance at scheduled meetings of the Board in the 2016 financial year

Director	Meeting	Attendance %
Mr. Tom Boardman (Chairman)	4/4	100
Mr. José Miguel García Fernández (Deputy Chairman)	4/4	100
Mr. Odilon Almeida	6/6	100
Ms. Janet Davidson	4/4	100
Mr. Simon Duffy	4/4	100
Mr. Tomas Eliasson	5/6	83
Mr. Lorenzo Grabau	6/6	100
Mr. Alejandro Santo Domingo	3/6	50
Attendance of current Directors	36/40	90
Former Directors (until May 2016):		
Ms. Cristina Stenbeck	2/2	100
Mr. Paul Donovan	2/2	100
Mr. Anders Borg	2/2	100
Dame Amelia Fawcett	2/2	100
Overall attendance	44/48	92

Shareholder and Board governance – continued

Board committees

The Board and each of its Committees have written approved charters which set out the objectives, limits of authority, organization and roles and responsibilities of the Board and its Committees. The Board and Committee charters can be found on our website www.millicom.com/governance. Details of the roles and responsibilities, activities in 2016 and Directors' emoluments are set out on the following pages.

In 2015, the Board established two new committees. A Special Committee was set up to oversee the investigation into potential improper payments on behalf of the Guatemalan joint venture. The work of this committee continued in 2016.

In Q4 2015, the Board also established a new permanent Compliance and Business Conduct Committee to cover compliance related activities. In 2016 this Committee assumed oversight of non-financial compliance related matters from the Audit Committee.

In 2016, the Board incorporated activities previously delegated to the Government Relations and Responsibility Committee into the full Board agenda. The Board believed that the overarching reach of these activities across the various geographical and functional areas, warranted the breadth of experience and knowledge of the full Board.

Audit Committee

2016 was a very active year for the Audit Committee, with specific focus and attention on control activities of the Group, as well as oversight over regular reporting and internal audit activities. The Committee convened six scheduled meetings during the year and covered internal audit and internal control activities during all meetings.

The Committee also reviewed and discussed actions and activities around the important regulatory updates and upcoming changes in financial reporting, treasury, risk, revenue assurance and compliance. Further work remains to be done as the Group continues to standardize and implement best practices both in controls and assurance.

I would like to thank my fellow Committee members for their dedication and commitment to the activities of the Audit Committee and look forward to continuing our mandate through to the 2017 AGM.

From Mr. Tomas Eliasson
Chairman of the Audit Committee

Shareholder and Board governance – continued

Audit Committee membership and attendance in 2016

Audit Committee	Position	First appointment	Meetings/	Attendance %
Mr. Tomas Eliasson	Chairman*	May 2014	6/6	100
Mr. Tom Boardman	Member	May 2016	3/4	75
Mr. Simon Duffy	Member	May 2016	4/4	100
Mr. José Miguel García Fernández	Member	May 2016	4/4	100
Mr. Lorenzo Grabau	Former member	May 2014	1/2	50
Mr. Odilon Almeida	Former member	May 2015	2/2	100
Overall attendance			**20/22**	**91**

*Designated as having specific accounting competence per EU Directive.

Appointment and role of the Audit Committee

The Audit Committee is comprised solely of non-executive Directors, the majority of whom are independent Directors. Members are appointed to ensure there is a mixture of relevant experience of both finance and broader commercial matters. The Board is confident that the collective experience of the members enables them to act as an effective Audit Committee. The Committee is also satisfied that it has the expertise and resource available to it to fulfill its responsibilities.

The Board has delegated to the Audit Committee the responsibilities for oversight of the financial reporting process, the integrity of the annual and quarterly financial reports and the involvement of external auditors in that process to ensure the balance, transparency and integrity of published financial information. The Audit Committee focuses particularly on compliance with financial requirements, accounting standards and judgments, appointment and independence of the external auditors, transactions with related parties (including major shareholders), the effectiveness of the internal audit function, the Group's approach to risk management and ensuring that an efficient and effective system of internal controls is in place.

Ultimate responsibility for reviewing and approving Millicom's Annual Report and Accounts remains with the Board.

The Chief Executive Officer, Chief Financial Officer, Group Financial Controller, Head of Internal Audit, Head of Business Controls, Group Risk Officer and representatives from Ernst & Young ("EY"), the Company's external auditor, are invited to attend Committee meetings.

The agenda for meetings is prepared by the Audit Committee Chairman in conjunction with the Chief Financial Officer. Each meeting includes a private session, attended only by Audit Committee members and the external auditor, to provide an opportunity for open dialogue without management presence. At each meeting, the Audit Committee receives reports from the Chief Financial Officer, the external auditor, the Head of Internal Audit, the Head of Business Controls, together with reports from other officers of the Company as required.

Shareholder and Board governance – continued

2016 meetings

During 2016, the Audit Committee met six times, coinciding with key dates in Millicom's external reporting:

Activity/issues covered	How the Audit Committee addressed the issues
Governance	• Reviewed and amended Audit Committee Charter. • Reviewed and discussed activities around the implementation of the law of 23 July 2016 in relation to the audit profession and implementing EU regulation 537/2014, as well as its implication for the Audit Committee.
Financial reporting	• Key accounting and reporting issues were reviewed at each meeting. • Reviewed and approved each quarter's earnings release, the 2015 annual earnings release and summary financial statements, and the 2016 half year earnings release and interim financial statements. • Reviewed and discussed activities around the implementation of IFRS 15 ("Revenue from Contracts with Customers") and IFRS 16 ("Leases"), as well as other changes in the financial reporting landscape and accounting policy changes/updates.
External auditor	• Received reports from the external auditor at each meeting covering important financial reporting, accounting and audit issues. • Approved the 2016 external audit strategy. • Considered the results of control testing performed by the external auditor. • Considered the performance of the external auditor and independence, including monitoring of the nature and value of non-audit services, as well as approving these fees.
Internal audit activities	• Appointed a new VP, internal audit. • Approved the 2016 internal audit plan. • Reviewed internal audit findings arising from the delivery of the 2016 audit plan.
Financing, treasury and tax	• The Group's Tax Director presented the Group's tax strategy. • Treasury and financing risks were discussed and the Committee approved the updated Group treasury and related policies, including a new policy on financial risk management. • Review and preparation of the implications of Base Erosion Profit Schemes (BEPS) driven disclosures.
Risk management	• Provided guidance and oversight over risk management processes. • Reviewed alignment of top risks with strategy. • Reviewed regular risk reports and IT remediation plan.
Internal controls	• Reviewed the remit and proposed activities of the Business Controls team. • Received the summary findings of internal control self-assessments performed in the year against the 2016 internal targets. • Approved 2017 targets for internal control maturity. • Requested and received a report on the Group's approach to information security.
Fraud management	• Reviewed fraud policies and quarterly fraud reports, as well as proposed actions to remediate identified cases.
Revenue assurance	• The Group head of revenue assurance presented on revenue assurance trends and actions taken to minimize loss.
Related party transactions	• A review of related party transactions was performed at each meeting.

Shareholder and Board governance – continued

Main activities of the Audit Committee during the year

Financial reporting

The Audit Committee reviewed earnings releases for each quarter and financial statements, having received reports from management and the external auditor. Attention was focused on:

- Significant accounting issues where judgment has been applied;
- The appropriateness of and application of the Group's accounting policies and practices;
- Compliance with financial reporting standards and other financial reporting requirements;
- The application of new accounting standards, in particular the future adoption of the new revenue recognition and lease standards, IFRS 15 and IFRS 16, respectively;
- The completeness and compliance of all structural disclosures made in the IAS 34;
- The financial reporting implication of BEPS legislation for future reporting.

A summary of all related party transactions was presented quarterly. The significant issues considered by the Audit Committee in relation to the financial statements for the year ended 31 December 2016 were:

1) Disposal of the Group's operations in DRC – also refer to note A.1.4. of the consolidated financial statements

During 2016, Millicom completed the disposal of its businesses in the Democratic Republic of Congo (DRC). The transaction included certain indemnity and warranty clauses which required management's judgment. The effect of disposal and assessment of provisions for indemnity and warranty clauses have been presented and discussed with the Committee.

2) Acquisition accounting in respect of Zantel Telecom Limited – also refer to note A.1.2. of the consolidated financial statements

During the year, the Group completed the purchase accounting of Zantel. Management's assessment of the acquisition final fair values based on external valuation advice were presented to the Committee for discussion.

3) Measurement of the Group's interests in Guatemala and Honduras – also refer to note A.2.3 of the consolidated financial statements

As required by IFRS, the Group has completed the measurement at fair value of the assets and liabilities for Guatemala and Honduras operations as of 31 December 2015, date of recognition of the Group's investment in both operations as joint ventures. For the purchase accounting, Millicom determined the fair values of these operations based on a discounted cash flow model. Similarly to Zantel, final fair values based on external valuation advice were presented to the Committee for discussion.

4) Guatemala security contracts – also refer to notes F.1. of the consolidated financial statements

In 2014, our joint venture in Guatemala (55% shareholding) entered into a contract with the Guatemala Government to provide video surveillance to the Civil National Police. Since inception, no payment had been received under this contract. Management has closely monitored the situation and assessed that the amounts owed under these contracts since inception were not collectable. Additionally, Management considered that, since 1 July 2016, the accounting criteria regarding probability of cash flowing to the Group were no longer met. Finally, as a result of the above, Management performed an impairment test on the fixed assets acquired for the purpose of rendering these services and concluded that an impairment should be recorded.

The above accounting treatments and decisions required Management judgment and estimates which were extensively discussed with the Committee.

5) Millicom investments in African Internet Holding GmbH (AIH) and Helios Towers Africa (HTA) – also refer to note A.3.2. of the consolidated financial statements

Millicom's shareholding in AIH and HTA diluted during 2016 as a result of previous committed cash calls and new investors' funding. As a result, Millicom's shareholding in both companies reduced to 10% and 23%, respectively. This has triggered the recognition of a total net dilution gain of US$59 million in the Group income statement. The accounting treatment of the latter was presented and discussed with the Committee.

6) Impairment testing – also refer to note E.1.6. of the consolidated financial statements

Under accounting standards, the Group is required to test goodwill and indefinite life intangible assets annually and, where there are indicators of potential impairment, also test the carrying value of other non-current assets. Assessment of the recoverable amount, be it under the "value in use" or the "fair value less cost of disposal" model, is subjective and requires significant judgment. In addition, the Group also tests its investments in joint ventures and associates in case of an impairment indicator. The Audit Committee received analysis from Management as to their assessment of the recoverable amounts of the Group's non-current assets, as well as the results of the sensitivity analysis. The Audit Committee also received analysis from the external auditor, including their view of significant assumptions such as discount rates.

Following consideration, the Audit Committee agreed with Management's proposal that an impairment loss of US$40 million had to be recognized on our investment in MKC Brilliant Holding GmbH ('LiH').

Except for the above, the results of the annual impairment testing showed that sufficient headroom exists for the Group's other operations.

7) Tax provisions and contingencies – also refer to note G.3.2. of the consolidated financial statements

The Group operates in many countries where the tax and legal system is less mature and may be less predictable. There are a number of matters therefore relating to tax contingencies which require judgment as to the likely probability of cash outflow or the potential amount of any outflow. The Audit Committee therefore received regular reports from the Group Tax Director as to the status of each of these matters, the likely outcome, the provision required, if any, and proposed disclosure in the financial statements. Analysis of judgmental tax matters was also presented by the external auditor.

Shareholder and Board governance – continued

8) Deferred tax assets on unused carried forward tax losses – also refer to note B.6.3. of the consolidated financial statements
During 2016, deferred tax assets on unused carried forward tax losses have been discussed in relation to our UNE operation in Colombia. The recognition of such deferred tax assets is judgmental and based on significant assumptions such as the expected timing and level of future taxable profits together with future tax planning strategies.

Management has presented its assessment and judgment to the Audit Committee. Considering the evidence available as of today, and based on historical losses, it was decided not to recognize a deferred tax asset on the carried forward tax losses of UNE in accordance with IAS 12.

9) Revenue recognition – also refer to note B.1. of the consolidated financial statements
Judgment is required in assessing the application of revenue recognition principles. This includes the application of revenue between multiple deliverables, such as the sale of a set top box with service in a bundled package or managed services contracts that have complex contractual agreements. The Group has developed revenue recognition rules compliant with IFRS, tailored to the services and products sold. In addition, Management is currently implementing the new revenue standard, IFRS 15. The Audit Committee received reports and presentations from both Management and the external auditor covering matters relating to revenue recognition in general and to the implementation project.

10) Potential improper payments on behalf of the Guatemala joint venture and Tanzania share ownership issue – also refer to note G.3.1. of the consolidated financial statements
On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala.

In June 2016, Millicom was served by a third party seeking monetary damages and seeking to exert rights as a shareholder of Millicom Tanzania Ltd.

The Audit Committee has been updated at least quarterly on the progress of these cases.

Disclosure Committee
To assist with all matters relating to earnings releases and financial statement disclosures, the Group has a Disclosure Committee comprised of senior management from finance, legal, communications, investor relations and other functions as and when required. The Disclosure Committee identifies and considers disclosure matters in market releases which contain material financial and other price sensitive information.

Risk management
The Audit Committee received regular reports on the Group's risk management framework and process, changes to significant risks at an operational and a Group level and how these are managed. Further information is set out in the risk management section of this Annual Report.

In addition, the Audit Committee reviewed financial risk, tax risk and strategy, treasury policy and risks, and Group insurance cover.

Internal control
The Audit Committee reviewed the Company's internal control framework. The Audit Committee was focused on the need to promote the continued improvement of internal controls, including controls around IT given the Group is strongly dependent on its information technology infrastructure for the continuity of the business processes. In 2015, a new Business Controls function was created at a Group level in order to increase the level of resource and priority given to this issue. The Group function complements and supports control teams in each of the Group's operating companies. Targets for internal control improvement in 2016 were established and the Audit Committee reviewed the Business Controls strategy and received progress reports from the Head of Business Controls at each meeting. At the December meeting, the Audit Committee evaluated progress on a country and process level against the targets established and discussed the strategy for internal control development for 2017.

Internal Audit
The execution of the 2016 Internal Audit Plan provided Executive Management and the Audit Committee visibility on the effectiveness of Millicom's risk management, internal control and governance processes. It was developed to ensure alignment with the strategic risks of the Millicom Group, along with consideration of the overall Group strategy, input from senior management across multiple geographies and functions, external audit findings and Internal Audit's knowledge of the business.

In January 2016, the Audit Committee ratified the Internal Audit Plan for the year, which included reviews focusing on revenue assurance and billing, information security, IT and network resilience, financial control, regulatory compliance, supplier contract governance – particularly over large infrastructure support contracts – and the successful implementation of large IT change programs. Follow-up audits were also built into the plan, to provide independent assurance that management actions from previous audits had been addressed effectively.

The plan was primarily executed by the in-house Internal Audit team based in London, Luxembourg and Miami, with specialist support provided by one of the "Big 4" accounting firms. At each meeting, the Audit Committee received an update on Internal Audit activities, progress against the plan and results of the audits completed in the period, including associated recommendations and management action plans where issues had been identified.

In December 2016, a new Group Head of Internal Audit was appointed, having performed the role on an interim basis for the previous 18 months.

Shareholder and Board governance – continued

Fraud risk and whistleblowing
The Audit Committee received and reviewed quarterly fraud reports in accordance with the Group's Fraud policy. Individual events greater than defined quantitative and qualitative thresholds were discussed and remediation activities assessed.

The Group provides an ethics helpline which is administered by an independent third party and is available to all employees and contractors.

External Audit
Audit effectiveness
The quality and effectiveness of the external audit is of great importance to the Audit Committee. A detailed audit plan is prepared and discussed with the Audit Committee at the start of each annual audit cycle, outlining the key risks and proposed geographic coverage.

Audit quality is assessed by reference to the standard of the reports received by the Audit Committee, the caliber of senior members of the audit team and the level of challenge provided to Management. Also, feedback is received by the Audit Committee from Management.

In addition, on a regular basis the performance of the external auditors is reviewed by Management both centrally and in each of Millicom's operating countries against a set of 17 criteria ranging from knowledge of the business, to timeliness of communication and quality of reporting.

This feedback allows the Audit Committee to monitor and assess the performance of the external auditor in making a recommendation to the Board regarding the reappointment of Ernst & Young.

Auditor independence
The Audit Committee has established policies to maintain the independence of the external auditor and to govern the provision of audit and non-audit services. Permitted and prohibited services are clearly identified along with the processes to be followed for the approval of non-audit and audit services, in accordance with the latest EU and local regulations. All engagements require Audit Committee approval and additionally all engagements with an expected fee in excess of US$100,000 require the prior approval of the Audit Committee Chairman. A schedule of all non-audit engagements with the external auditor is reviewed at each meeting.

For the year ended 31 December 2016, the Audit Committee approved fees for audit services of US$4.6 million, together with fees for non-audit work of US$2.0 million.

Under European rules, the current audit partner will have to rotate off for the audit of the consolidated financial statements as of 31 December 2019.

Audit tendering
EY was first appointed auditor of the Company for the year ended 31 December 2012 following a competitive tender.

Based on the new EU audit regulations and applicable Luxembourg law, EY would have to rotate off by 2032 (20 years) at the latest, with mandatory tender in 2022 (after ten years).

Shareholder and Board governance – continued

Compliance and Business Conduct Committee

From Mr. Odilon Almeida
Chairman of the Compliance and Business Conduct Committee

The focus of the Compliance and Business Conduct Committee during 2016 was aimed at enhancing the Compliance function through the onboarding of a Chief Ethics & Compliance Officer. The Committee also spent dedicated time reviewing and discussing external regulatory requirements and internal control environment for anti-money laundering activities. Continued attention was given to the results of the external risk assessment exercise performed by Covington & Burling.

Other key areas of focus were to support the recommended simplification of the compliance framework through the adoption of a three-pillar approach – Prevent, Detect and Respond. Specific support was given to strengthening the resources of the Compliance function. In parallel, the Committee reviewed the ongoing monitoring of the maturity of the compliance framework in each of its meetings and will continue to do so over next year as the function and framework continues to evolve.

I want to thank the Board and Management Team members of the Committee for their continued support and dedication to the work performed in 2016 and look forward to working together in the new year.

Compliance and Business Conduct Committee membership and attendance 2016

Committee	Position	First appointment	Meetings/ attendance	%
Mr. Odilon Almeida	Chairman	November 2015	7/7	100
Mr. Alejandro Santo Domingo	Member	November 2015	5/7	71
Ms. Janet Davidson	Member	May 2016	4/5	80
Mr. Tom Boardman	Member	May 2016	5/5	100
Dame Amelia Fawcett	Former member	November 2015	2/2	100
Overall attendance			**23/26**	**88**

Appointment and role of the Compliance and Business Conduct Committee

Millicom's Compliance and Business Conduct Committee oversees and makes recommendations to the Board regarding the Group's compliance programs and standards of business conduct. More specifically, the Compliance and Business Conduct Committee:

- Monitors the Group's Compliance program, including the activities performed by the Compliance Team and its interaction with the rest of the organization;
- Monitors the results of investigations resulting from cases brought through the Group's ethics line or otherwise;
- Oversees allocation of resources and personnel to the Compliance area;
- Assesses the Group's performance in the Compliance area; and
- Ensures that the Group maintains proper standards of business conduct.

Management representatives invited to attend the Compliance and Business Conduct Committee include the Group CEO, the Chief Compliance Officer, General Counsel and CFO.

Shareholder and Board governance – continued

Summary of Committee activities in 2016

The Committee convened, as planned, seven times during the year. In terms of structure of each meeting, the Chairman prepares the agenda in conjunction with the Chief Ethics and Compliance Officer. The Chief Ethics and Compliance Officer, as directed by the Chairman, reports on the status of the Compliance Program and any compliance related issues including anti-money laundering. The CEO plays an active role in the meetings. The CEO and Executive Team have demonstrated their full commitment to enhancing the Compliance function and culture at Millicom as shown by their active involvement with the Committee.

Summary of areas of focus in 2016

Activity/issues covered	How the Compliance and Business Conduct Committee addressed the issues
Initiation of Committee	• The Compliance and Business Conduct Committee commenced its activities in January 2016 with the election of Mr. Odilon Almeida as Chairman of the Committee.
Recruited Chief Ethics and Compliance Officer	• A Chief Ethics and Compliance Officer was recruited. He reports to the Board with a dotted line to the Millicom CEO.
Anti-corruption risk assessment	• Received a report on the independent Risk Assessment performed by Covington & Burling LLP, assisted by Kirkland & Ellis and by KPMG. The review has been concluded and it has not identified any matters requiring further investigation. The review has identified potential ways in which to proactively strengthen the Compliance Program going forward.
Program enhancements	• Simplified compliance framework implemented with emphasis on Prevent, Detect and Respond. • Restructuring the Compliance function to better align with other assurance functions. • Training on Code of Conduct and Anti-Bribery & Anti-Corruption. • Additional emphasis on third party management and anti-money laundering. • Corporate and Local Compliance Committees in place.

Shareholder and Board governance – continued

Compensation Committee: Remuneration Report

In 2016, the Compensation Committee has continued to focus on the review of Millicom's reward strategy to ensure that senior management compensation reflects more closely company performance. The Committee has also reviewed Millicom's renewed approach to benchmarking compensation and talent, which has led to important work in recalibrating job grades and roles.

We are confident that these steps will ensure that the Group Management is incentivized to take a longer term view on positive business performance in alignment with company and shareholder interests.

I would like to thank my fellow Compensation Committee members for their dedication and commitment to the activities of the Compensation Committee and look forward to continuing our expanded mandate through to the 2017 AGM.

From Lorenzo Grabau
Chairman of the Compensation Committee

Compensation Committee membership and attendance 2016

Committee	Position	First appointment	Meetings/	attendance %
Mr. Lorenzo Grabau	Chairman	May 2015	**5/5**	**100**
Mr. Tom Boardman	Member	May 2016	**2/2**	**100**
Mr. José Miguel García Fernández	Member	May 2016	**2/2**	**100**
Dame Amelia Fawcett	Former Chairman	May 2014	**3/3**	**100**
Mr. Paul Donovan	Former member	May 2014	**2/3**	**67**
Overall attendance			**14/15**	**93**

Appointment and role of the Compensation Committee

The Compensation Committee reviews and makes recommendations to the Board of Directors regarding the compensation of the CEO and the other senior managers as well as management succession planning.

The Board, based on guidelines by the Compensation Committee, propose the remuneration of senior management. The objective of the guidelines is to ensure that Millicom can attract, motivate and retain executives, within the context of Millicom's international talent pool, which primarily consists of telecom, media and FMCG companies. Remuneration of the CEO and the long-term incentive plans are then approved by the shareholders at the AGM.

The evaluation of the CEO is conducted by the Compensation Committee. The evaluation criteria and the results of the evaluation are then discussed by the Chairman with the entire Board. The Board considered that the CEO provided strong leadership for the Company during 2016. The results of the review and evaluation were communicated to the CEO by the Chairman. The Compensation Committee comprises three members.

Shareholder and Board governance – continued

Main activities of the Committee during 2016

The Compensation Committee met five times in 2016.

Activity/issues covered	How the Compensation Committee addressed the issues
Bonus and performance reports	• Reviewed and approved the variable compensation targets to further align remuneration with company performance. • Received and reviewed senior executive performance reports and rewards for exceptional performance.
Separation arrangements at Executive level	• Discussed, modified and subsequently approved separation arrangements with former members of the Executive Team.
Share-based incentive plans	• Reviewed the terms and conditions of the 2016 share-based incentive plans, in particular changes recommended that improve alignment to shareholder returns for the future performance plans. • Discussed feedback from the changes to the 2016 share-based incentive plan design.
Global reward strategy and executive remuneration review	• Review of the timeline and planned activities for the reward strategy update. • Gave input to a holistic review of reward principles, emphasizing importance of a performance-based incentive opportunity culture. • Reviewed the performance of individual members of the Executive Team and compensation packages.
Recruitment	• Reviewed progress and potential candidates for the positions of Chief Compliance Officer, Chief Human Resources Officer, and Chief Strategy Officer.
Compensation review	• Reviewed guidelines and methodology for setting 2017 compensation.

Remuneration guidelines

The Board proposes to the AGM guidelines for remuneration and other employment terms for the senior management. The annual base salary and other benefits of the CEO and the Executive Vice Presidents (the "Executive Team") is proposed by the Compensation Committee and approved by the Board.

Remuneration policy

Remuneration packages for members of the Executive Team at Millicom comprises an annual base salary, an annual bonus, share-based compensation, social security contributions, pension contributions and other benefits. Bonus and share-based compensation plans (see note B.4.1 to the Consolidated Financial Statements) are based on actual performance. Share-based compensation is granted once a year by the Compensation Committee of the Board.

Base salary – The Executives' base salary shall be competitive and based on the individual Executive's responsibilities and performance.

Variable cash remuneration – The Executives may receive variable remuneration in addition to base salary. The maximum target variable remuneration in any Executive's contract is 100% of the base salary and in case of exceptional business and personal performance the actual amount can reach 200%. The variable amounts or percentages are considered to be competitive within market standards at total compensation levels. The variable remuneration shall be based on the performance of the Executives in relation to established goals and targets along with Millicom's financial performance.

Shareholder and Board governance – continued

Use and relative weighting of performance target measures under the variable compensation rules are equal to all employees regardless of seniority.

Bonus measurements	Rationale	Weighting
Service Revenue[(i)]	Recurring revenue is a key growth measure used by the Group as it seeks to monetize opportunities in all countries and all business units.	23.33 %
EBITDA	EBITDA is used as a measurement of ongoing earning power/value creation in the Group and is used as a measure of how well management controls the operational cost of growing revenue.	23.33 %
Operating Free Cash Flow	Operating Free Cash Flow is a measure aligned to return on invested capital and is used to measure how efficiently management are generating cash flow.	23.33 %
Personal performance	The individual goals and objectives of Millicom management and employees are critical in achieving its financial objectives and in long-term value creation.	30 %
Total		100 %

(i) The use of Service Revenue as a performance measure replaced use of Total Revenue from January 2016.

Long-term share based incentive plans (LTIPs) – The aim of the LTIPs is to complement and support Millicom's long-term business view and strategy. The plans and the amounts need to be competitive in order to attract and retain key executives.

Other benefits – Other benefits can include, for example, a car allowance, medical coverage and in some cases, housing allowance, school fees, home leave and other travel expenses.

Pension – The Executives are entitled to participate in a global pension plan, in accordance with European standards. The global pension plan is secured through premiums paid to reputable insurance companies.

Deviations from the guidelines – In special circumstances, the Board may deviate from the above guidelines, for example additional variable remuneration in the case of exceptional performance. In such a case the Board of Directors will explain the reason for the deviation at the following AGM.

Payment for loss of office

If the employment of a Millicom Executive is terminated, a notice period of up to 12 months potentially applies.

Shareholder and Board governance – continued

Executive Team remuneration 2016

Compensation of the Executive Team (US$ '000)	CEO	CFO	Other Executives (9 members)
2016			
Base salary	1,000	599	3,797
Bonus (for 2016 performance)	660	450	1,411
Pension	150	82	513
Other benefits	48	18	720
Termination benefits	—	—	—
Total salary and benefits	**1,858**	**1,149**	**6,441**
Performance share plan(i)	—	—	13,024
Deferred share plan(ii) (for 2016 performance)	15,017	10,250	32,122
CEO Dividend Share Award	2,358		
Total shares (number)	**17,375**	**10,250**	**45,146**
Value of shares(iii) (US$ '000)	**743**	**450**	**2,385**

(i) Amounts relating to the 2014 performance share plan based on the actual performance over the three year period to 31 December 2016. The value of shares is based on the closing market value of Millicom shares in US$ at 31 December 2016 of US$42.76. These shares vested on 1 January 2017.
(ii) Amounts relating to the 2016 deferred share plan (awarded in 2017). The value of shares is based on the closing market value of Millicom shares in US$ at 31 December 2016 of US$42.76. These shares will vest over three years from the award date, dependent on continued service of the employee.
(iii) The value is calculated on the basis described above which differs from the value calculated for the IFRS financial statements.

Compensation of the Executive Team (US$ '000)	CEO*	Former CEO	CFO**	Other Executives (9 members)(iv)
2015				
Base salary	750	304	989	3,721
Bonus (for 2015 performance)	1,006	—	1,206	1,870
Pension	113	—	95	671
Other benefits	11	—	14	1,085
Termination benefits	—	2,854	—	682
Total salary and benefits	1,880	3,158	2,304	8,029
Compensation shares				
Performance share plan(i)	—	—	—	11,300
Deferred share plan(ii)	—	—	4,394	14,916
Sign-on grant(iii)	77,344	—	—	—
Total shares (number)	**77,344**	**—**	**4,394**	**26,216**
Value of shares(v) (US$ '000)	**4,457**	**—**	**253**	**1,511**

* The CEO started in April 2015.
** Includes compensation for the interim CEO role to 31 March 2015.
(i) Amounts relating to the 2013 performance share plan based on the actual performance over the three year period to 31 December 2015. The value of shares is based on the closing market value of Millicom shares in US$ at 31 December 2015 of US$57.63. These shares vested on 1 January 2016.
(ii) Amounts relating to the 2015 deferred share plan. The value of shares is based on the closing market value of Millicom shares in US$ at 31 December 2015 of US$57.63. These shares will vest over three years from the award date, dependent on continued service of the employee.
(iii) Amounts relating to the CEO sign on bonus share grant. The value of shares is based on the closing market value of Millicom shares in US$ at 31 December 2015 of US$57.63. One-third of the total share amount vests on each of 1 January 2016, 1 January 2017 and 1 January 2018.
(iv) Includes former Executives who left Millicom during 2015.
(v) The value is calculated on the basis described above which differs from the value calculated for the IFRS financial statements.

Shareholder and Board governance – continued

Share based incentive plans

The share-based incentive plans currently consist of a Deferred Share Plan (DSP) and a Performance Share Plan (PSP). Shares granted under the DSP are based on personal and corporate performance of the previous year and the awards vest over three years, 16.5% after one year, 16.5% after two years and 67% after three years. Shares granted under the PSP vest at the end of a three-year period, whereby vesting is subject to certain company performance conditions.

The modification to the Performance Share Plan for the CEO and CFO as applied in 2015 (the Executive Share Plan) has not been repeated in 2016. Both the CEO and CFO are instead participating in the Group's PSP, with target opportunities as per the table below.

In 2016, long-term share based incentive plans were offered to Executives, other senior management, as well as to high potential employees and employees in key roles (by nomination exception) under the plans set out in the following table. In addition, the rules of the plans set out certain criteria and conditions in which new employees can be awarded sign-on awards.

LTIP Plans	Eligibility	Participants	Maximum shares awarded in 2016	Basis for calculating award	Comment
Deferred Share Plan (DSP)	CEO, CFO, other Executives and other (global) senior management*	330	287,316	20–50% on base salary as per 31.12.15	
Performance Share Plan (PSP)	CEO, CFO, other Executives and other (global) senior management	52	200,617	200% 160% 35%–160% on base salary as per 01.01.16	

*A limited number of High-Potential employees and employees in key roles can be nominated by exception.

Specific rules of each plan are set out below. Vesting under all plans is conditional on the participant remaining employed by the Group at each vesting date. Additional vesting criteria are noted under each plan.

LTIP Plans	Additional vesting criteria (terms and conditions)	Vesting period 1 year	2 years	3 years
Deferred Share Plan	–	16.5%	16.5%	67%
Future Performance Plan	Achievement of absolute and relative total shareholder return target measures plus a Free Cash Flow target measure over the three year vesting period.	—	—	100%

CEO compensation

At the AGM on 15 May 2015, the Board of Directors proposed and the meeting approved a sign-on share grant to the CEO of 77,344 Millicom shares, as part of the CEO remuneration.

One-third of the total share amount vests (and is deliverable to the CEO along with accrued dividends) on each of 1 January 2016, 1 January 2017 and 1 January 2018. The vesting of shares is conditional upon the CEO not being dismissed for cause.

The share grant was proposed by the Board following review by the Compensation Committee of the entire compensation package for the CEO. The 2016 components of this package are:

- an annual base salary of US$1 million;
- variable remuneration with a target of 100% of base salary;
- participation in Millicom's share-based compensation plans;
- the continued vesting of the Sign-on Share Grant; and
- other standard benefits, as described under the senior management remuneration principles earlier in this report.

Shareholder and Board governance – continued

CEO earnings opportunity from 2016 award levels

The tables below provide estimates of the potential future remuneration for the Chief Executive Officer based on the remuneration opportunity granted in the 2016 financial year. Potential outcomes are based on different performance scenarios.

Assumptions underlying each scenario are described below.

Fixed	Fixed income consists of base salary, employment benefits and company pension contributions. Base salary is at 31 December 2016. Benefits are valued using the figures in the total remuneration for the 2016 financial year table detailed above. Pension contributions are made at 15% of base salary as at December of the preceding year.

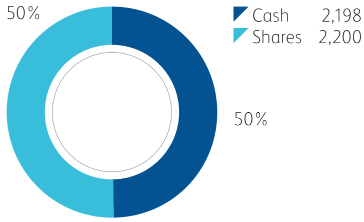
	Base (US$'000)	Benefits (US$'000)	Pension (US$'000)	Total Fixed (US$'000)
Mauricio Ramos	1,000	48	150	**1,198**

Variables on target	Values are based on what the Chief Executive Officer Mr. Ramos would receive if performance was in line with Incentive Performance Targets. The target award opportunity for the annual cash bonus is 100% of base salary. The target award opportunity for the Deferred Share Plan (DSP) is 50% of base salary for the Chief Executive Officer. The target award opportunity for the Performance Share Plan (PSP) is 200% of base salary for the Chief Executive Officer, assuming TSR performance being positive and at peer group median.
Variables at maximum	Maximum award opportunity under the annual cash bonus is 120%. The maximum award for performance under the DSP is 75% of base salary. The maximum award for performance under the PSP is 200% of base salary, where total shareholder return ('TSR') outperforms the peer group by at least 5 percentage points.

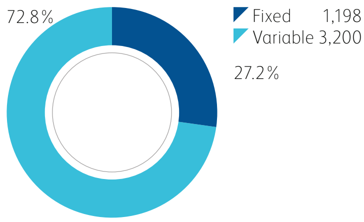
Details of share purchase and sale activity

During 2016 Millicom's CEO, Mauricio Ramos acquired 12,000 Millicom shares.

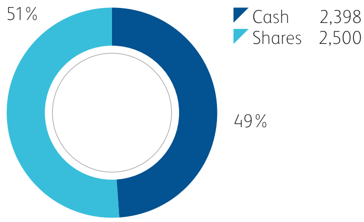
At target US$'000



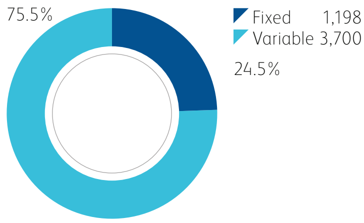
At target US$'000



At maximum US$'000



At maximum US$'000



Shareholder and Board governance – continued

Shareholding requirements

Millicom's share ownership policy sets out the Compensation Committee's requirements on Global Senior Managers to retain and hold a personal holding of common shares in the Company in order to align their interests with those of our shareholders.

All Share Plan participants in the Global Senior Management Team (including all Executives) are required to own Millicom shares to a value of a percentage of their respective base salary as of January of the calendar year. Unless this requirement is filled each year no vested Millicom shares can be sold by the individual.

	2016	2017	2018 onwards
Global Senior Management Level	Transition requirements %		Full requirement %
CEO	400	400	400
CFO	200	200	200
EVPs	20–50	50–100	100
General managers and VPs	10	25	50

Shares and unvested share awards beneficially owned

Shares and unvested share awards beneficially owned by the Executive Team (number of shares)	CEO	Executive Team	Total
31 December 2016			
Shares	**27,020**	**34,472**	**61,492**
Share awards not vested	**114,729**	**173,340**	**288,069**
31 December 2015			
Shares	—	11,714	11,714
Share awards not vested	104,008	83,823	186,831

2016 Remuneration for the Chairman, Deputy Chairman and Non-Executive Directors

Decisions on annual remuneration of Directors ("tantièmes") are reserved by the Articles of Association to the general meeting of shareholders. Directors are therefore prevented from voting on their own compensation. However, Directors may vote on the number of shares they may be allotted under any share-based compensation scheme. The Nomination Committee reviews and recommends the Directors' fees which are approved by the shareholders at the AGM. Fees are set based on the role (Chairman, Deputy Chairman), and for participation in and roles of Chairman of the Audit Committee, the Compliance and Business Conduct Committee, and Compensation Committee.

Shareholder and Board governance – continued

The remuneration of Directors comprises an annual fee and shares denominated in Swedish Krona (SEK). Director remuneration for the period is as follows:

Board and committees	**Remuneration 2016 SEK 000's**	Remuneration 2015 SEK 000's
Directors:		
Mr. Tom Boardman (Chairman)	**2,025**	—
Mr. José Miguel García Fernández (Deputy Chairman)	**1,300**	—
Mr. Odilon Almeida(i)	**1,050**	1,050
Ms. Janet Davidson	**950**	—
Mr. Simon Duffy	**1,050**	—
Mr. Tomas Eliasson(i)	**1,250**	1,250
Mr. Lorenzo Grabau	**950**	1,150
Mr. Alejandro Santo Domingo	**950**	850
Former Directors (until May 2016):		
Ms. Cristina Stenbeck (former Chairman)	**—**	1,500
Mr. Anders Borg (former Deputy Chairman)	**—**	1,000
Mr. Paul Donovan(i)	**—**	950
Dame Amelia Fawcett	**—**	1,075
Total in SEK 000's	**SEK 9,525**	SEK 8,825
Total (US$'000)(ii)	**US$1,143**	US$1,058

(i) In addition, in 2015: EUR 57,000 was paid to each for their work on the Special Committee.
(ii) Cash compensation converted from SEK to USD at exchange rates on payments dates each year. Share based compensation based on the market value of Millicom shares on the 2016 AGM date (in total 8,002 shares). Net remuneration comprised 50% in shares and 50% in cash (2015: 38% in shares and 62% in cash).

Shareholder and Board governance – continued

3. Millicom CEO and Executive Team

CEO	Position	Role and responsibilities
Mr. Mauricio Ramos	CEO	Leading the development and execution of the Company's strategy. Day-to-day activities and management decisions, both operating and financial. Liaison between the Board and Management of the Company. Leading the Executive Team.

Mr. Mauricio Ramos
Chief Executive Officer

Mauricio Ramos (1968) joined Millicom in April 2015 as Chief Executive Officer (CEO). Before joining Millicom, he was President of Liberty Global's Latin American division, a position he held from 2006 until February 2015.

During his career at Liberty Global, Mauricio held several leadership roles, including positions as Chairman and CEO of VTR in Chile and President of Liberty Puerto Rico. Throughout this period he successfully developed both mobile and broadband businesses in Latin America, delivering solid operational improvement and outstanding financial results.

Mauricio is also Chairman of TEPAL, the Latin American Association of Cable Broadband Operators, Member of the Board of Directors of Charter Communications (US), and a Member of the Board of Directors of the GSMA.

He is a dual Colombian and US citizen who received a degree in Economics, a degree in Law, and a postgraduate degree in Financial Law from Universidad de los Andes in Bogota.

Millicom shareholding at 31 January 2017:
27,020 shares

Millicom's Executive Team supports the CEO in the day-to-day operation and management of the Group, within their specific areas of expertise. Millicom's Executive Team meets on at least a monthly basis and more frequently when required. Millicom's Executive Team is as follows:

Executive Team	Position	Role and responsibilities
Mr. Tim Pennington	Chief Financial Officer	Finance and financial planning. Reporting financial performance, including external financial reporting. Budgeting and forecasting, monitoring expenditures and costs. Implementation and enhancement of related controls. Risk management.
Mr. Esteban Iriarte	Chief Operating Officer – LatAm	Operations and development of the Latin American businesses.
Ms. Cynthia Gordon	CEO Africa Division	Operations and development of the African businesses.
Mr. Xavier Rocoplan	Chief Technology and Information Officer	Networks, technology and information within the Group. Also procurement, corporate security and information security.
Ms. Rachel Samrén	Chief External Affairs Officer	Government relations, regulatory affairs, corporate communications and corporate responsibility.

Shareholder and Board governance – continued

Executive Team	Position	Role and responsibilities
Mr. Salvador Escalón	General Counsel	Legal and corporate governance matters including oversight, identification and management of legal cases and issues of the Group, as well as legal aspects of mergers and acquisitions and other corporate transactions.
Mr. Daniel Loria	Chief Human Resources Officer	Human Resource matters including talent acquisition and management, compensation, diversity and inclusion.
Mr. HL Rogers	Chief Ethics and Compliance Officer	Compliance matters including ethics, anti-bribery, anti-corruption and related compliance programs.
Mr. Rodrigo Diehl	Chief Strategy Officer	Strategy development and direction setting.

The profiles of the CFO and Executive Team members are provided below:

Mr. Tim Pennington

Chief Financial Officer

Tim Pennington joined Millicom in June 2014 as Chief Financial Officer.

Previously, he was the Chief Financial Officer at Cable and Wireless Communications plc, Group Finance Director for Cable and Wireless plc and, prior to that, CFO of Hutchison Telecommunications International Ltd, listed in Hong Kong and New York. Tim was also Finance Director of Hutchison 3G (UK), Hutchison Whampoa's British mobile business.

He also has corporate finance experience, firstly as a Director at Samuel Montagu & Co. Limited, and then as Managing Director of HSBC Investment Bank within its Corporate Finance and Advisory Department.

He is a British national and has a BA (Honours) degree in Economics and Social Studies from the University of Manchester.

Millicom shareholding at 31 January 2017:
9,813 shares

Mr. Esteban Iriarte

Chief Operating Officer, Latin America

Esteban Iriarte was appointed as Chief Operating Officer (COO), Latin America in August 2016.

Previously, Esteban was General Manager of Millicom's Colombian businesses where, in 2014, he led the merger and integration of Tigo and the fixed-line company UNE.

Prior to leading Tigo Colombia, Esteban was head of Millicom's regional Home and B2B divisions.

From 2009 to 2011, he was CEO of Amnet, a leading service provider in Central America for broadband, cable TV, fixed line and data services that was bought by Millicom in 2008.

In 2016 Esteban joined Sura Asset Management board. Sura is one of Latin America's biggest financial groups.

Esteban is from Argentina and received a degree in Business Administration from the Pontificia Universidad Catolica Argentina "Santa Maria de los Buenos Aires", and an MBA from the Universidad Austral in Buenos Aires.

Millicom shareholding at 31 January 2017:
8,634 shares

Ms. Cynthia Gordon

Executive Vice President, CEO Africa Division

Cynthia Gordon joined Millicom in September 2015 as EVP, CEO Africa Division.

Cynthia was previously Chief Commercial Officer at Ooredoo, with oversight for commercial strategies across Ooredoo operations in the Middle East, North Africa and South-East Asia. Cynthia was also a Commissioner on the Board of Indosat-Ooredoo, the largest operation of the Ooredoo Group.

She joined Ooredoo from Orange where she was Vice President of Partnerships and Emerging Markets. Prior to that Cynthia was Group Chief Commercial Officer at MTS in Russia and led the commercial strategy and direction for the company, which at the time had 91 million customers in six countries. Cynthia currently serves as Board member of European telecom operator Tele 2 and BIMA, the leading provider of mobile-delivered insurance in emerging markets.

Cynthia is a British national and has a BA (Honours) in Business Studies.

Millicom shareholding at 31 January 2017:
110 shares

Shareholder and Board governance – continued

Mr. Xavier Rocoplan

Executive Vice President, Chief Technology and Information Officer

Xavier Rocoplan started working with Millicom in 2000 and joined the Executive Committee as Chief Technology and IT Officer in December 2012.

Xavier is currently heading all mobile and fixed network and IT activities across the Group as well as all Procurement & Supply Chain activities.

Xavier first joined Millicom in 2000 as CTO in Vietnam and subsequently for South East Asia. In 2004, he was appointed CEO of Millicom's subsidiary in Pakistan (Paktel), a role he held until mid-2007. During this time, he launched Paktel's GSM operation and led the process that was concluded with the disposal of the business in 2007. Xavier was then appointed as head of Corporate Business Development, where he managed the disposal of various Millicom operations (e.g. Asia), the monetization of Millicom infrastructure assets (towers) as well as numerous spectrum acquisitions and license renewal processes in Africa and in Latin America.

Xavier is a French national and holds Master's degrees in engineering from Ecole Nationale Supérieure des Télécommunications de Paris and in economics from Université Paris IX Dauphine.

Millicom shareholding at 31 January 2017:
11,604 shares

Ms. Rachel Samrén

Executive Vice President, Chief External Affairs Officer

Rachel Samrén joined Millicom in July 2014 and manages the Group's government relations, corporate communications and corporate responsibility functions.

Her focus is on driving Millicom's global engagement with particular responsibility for special situation strategies.

Rachel's background is in the risk management consulting sector, most recently as Head of Business Intelligence at The Risk Advisory Group plc. Previously, she worked for Citigroup as well as non-governmental and governmental organizations.

Rachel currently serves as Chairman of the Board of Directors of Reach for Change and Zantel.

She is a Swedish national and holds a BSc in International Relations from the London School of Economics and a MLitt in International Security Studies from the University of St Andrews.

Millicom shareholding at 31 January 2017:
93 shares

Mr. Salvador Escalón

Executive Vice President, General Counsel

Salvador Escalón was appointed as Millicom's General Counsel in March 2013 and became Executive Vice President in July 2015.

Salvador leads Millicom's legal team and advises the Board of Directors and senior management on legal and governance matters.

He first joined Millicom as Associate General Counsel Latin America in April 2010. In this role he successfully led legal negotiations for the merger of Millicom's Colombian operations with UNE-EPM Telecomunicaciones S.A., as well as the acquisition of Cablevision Paraguay.

From January 2006 to March 2010, Salvador was Senior Counsel at Chevron Corporation, with responsibility for legal matters relating to Chevron's downstream operations in Latin America.

Previously, he was in private practice at the law firms Skadden, Morgan Lewis and Akerman Senterfitt.

Salvador is an American national and has a J.D. from Columbia Law School and a B.B.A. in Finance and International Business from Florida International University.

Millicom shareholding at 31 January 2017:
4,222 shares

Shareholder and Board governance – continued

Mr. Daniel Loria

Executive Vice President, Chief Human Resources Officer

Daniel Loria joined Millicom in April 2016 as Chief Human Resources Officer.

Previous to his current role, Daniel was Head of HR for North America at Syngenta, the global agribusiness company headquartered in Switzerland.

His international experience includes his role as Regional Head of HR for Royal & Sun Alliance Latin America (2007 to 2009); Global Head of HR for Novartis' Vaccines and Diagnostics and HR Head of Novartis Pharmaceuticals in Latin America (2003 to 2007).

Daniel's career has provided him with extensive and diverse international experience in developing the human capital in organizations.

He has a degree in Business Communications from ITESM Queretaro where he graduated with honors, and an MA from California State University where he studied Communications and Public Relations as a Fulbright Scholar. He also has an Advanced Certification in Organizational and Executive Coaching from New York University.

Millicom shareholding at 31 January 2017: no shares

Mr. HL Rogers

Executive Vice President, Chief Ethics and Compliance Officer

HL Rogers joined Millicom in August 2016 as Chief Ethics and Compliance Officer. As the leader of Millicom's Compliance function he is committed to maintaining a world-class compliance program.

Previously, he was partner in the Washington DC office of international law firm Sidney Austin LLP where he represented individual, corporate and government clients in compliance issues and complex litigation.

Throughout this period, HL Rogers developed a wealth of experience in setting up and managing compliance programs, strengthening compliance policies and procedures, as well as conducting training and development. He has also assisted many large corporations in negotiations with authorities in multiple jurisdictions.

HL clerked for Judge Thomas Griffith of the United States Court of Appeals for the District of Columbia Circuit in 2005. He received his Juris Doctorate from Harvard Law School in 2004 and has published several articles on compliance and ethics matters within the corporate setting.

In 2001, HL received his BA degree in English from Brigham Young University.

Millicom shareholding at 31 January 2017: no shares

Mr. Rodrigo Diehl

Executive Vice President, Chief Strategy Officer

Rodrigo Diehl was appointed as Millicom's Executive Vice President, Chief Strategy Officer in September 2016.

Previously, Rodrigo was a partner at McKinsey & Co. both in Germany and in Brazil where, from 2003, he advised telecommunications, technology and media leaders throughout Europe, the USA, Middle East and Latin America.

He also previously worked as a Senior Analyst and Planning Manager at Techint Group.

At Millicom, Rodrigo is supporting the company's drive to constantly improve its strategic rigor and maintain its competitive advantage in a rapidly transforming industry.

He graduated with honors from the University of Buenos Aires and holds an MBA from Harvard Business School.

Millicom shareholding at 31 January 2017: no shares

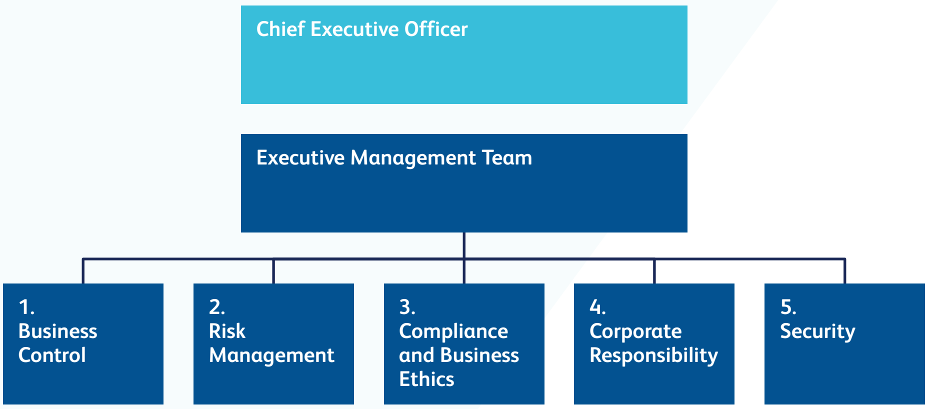
Management governance

The Group seeks to ensure that governance activities are embedded in the daily operations of all businesses and in the Group's corporate functions. The role of the Group's governance functions is to set policies and procedures in accordance with our obligations and international best practice. These functions then ensure these are embedded in our businesses and monitor compliance.

Each function has clear reporting lines through to the Executive Management Team and the CEO. Reporting is also to the Board committees, as previously described, based on the responsibilities of each committee.

For instance, the Chief Ethics and Compliance Officer reports directly to the relevant Board committee with a dotted line report to the CEO.

In addition, the Group has a dedicated Internal Audit function to provide independent assurance over all businesses and corporate functions through a program of risk-based internal audits. Internal Audit reports to the Audit Committee of the Board and to Executive Management. Improvements are identified, management actions assigned and implementation progress is monitored.



1. Business Control

The Board has overall responsibility for the Group's system of internal control which is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The concept of reasonable assurance recognizes that the cost of control procedures should not exceed the expected benefits.

Responsibility for maintaining effective internal controls is delegated to the CEO and the Executive Team with oversight provided by the Audit Committee. Millicom continued to invest significantly during the year to further strengthen its internal control framework.

Within the Millicom control framework, controls are performed by operational and functional management teams. The Group's key controls are documented in the Millicom internal control manual, and covers both financial and non-financial controls across 15 core business processes. The control manual was significantly upgraded at the start of the year. Each country has its own dedicated, local Business Control team responsible for monitoring and development of the local internal control environment.

Management governance – continued

Monitoring systems
A process of internal control self-assessment is operated and requires self-certification of the operation of key controls. Where controls are found not to be operating effectively, action plans are designed with responsibilities and timescales assigned for remediation.

Self-assessment results are reported to the Audit Committee and the Executive Team. The results enable an assessment of the relative maturity of our internal control environment by both business process and by country. In 2016, three self-assessment exercises were performed compared to two in 2015. All in-scope countries and operations met their internal targets for 2016.

Fraud management and reporting
Business Control has responsibility for fraud risk management. A new Group fraud policy and fraud response standard was developed and launched in late 2015. During the year, there has been significant work to roll out requirements to each operation.

A quarterly fraud report is prepared by each operation. A summary of this is presented to the Audit Committee along with the key actions taken. Quantitative and qualitative thresholds have been agreed to govern the reporting of individual fraud incidents to the Group CFO, CEO and the Audit Committee.

Internal controls over financial reporting
The Management of Millicom is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in conformity with International Financial Reporting Standards as adopted by the European Union. Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of internal control over financial reporting as of 31 December 2016 and concluded that its internal control over financial reporting was effective.

2. Risk Management
Millicom has a risk management framework which our business units and corporate functions utilize. Millicom has a network of risk officers at headquarters, regional and each significant operating country level, led by the Chief Risk Officer. The risk function is tasked with identifying, analyzing, monitoring and coordinating Millicom's approach to balancing risk with return and reporting to the Executive Team. The Audit Committee, on behalf of the Board, is responsible for reviewing the effectiveness of risk activities.

Key strategic and operating risks are assessed from an overall Group perspective as well as individual country and business units. Risk action plans that seek to balance risks with returns are developed, implemented and modified over time as the underlying risks evolve. Action steps are implemented both globally and locally by Executives and key decision makers.

The principal risks identified by the Group are set out on in the Risk Management section of this report.

3. Ethics and Compliance
The Millicom Ethics and Compliance Team has overall responsibility for the enterprise-wide Millicom compliance framework and the anti-bribery and anti-corruption program. It also manages the anti-money laundering program and has overall responsibility for investigations and case management.

Management and governance of compliance activities
The Management Team established corporate and local compliance committees during last year. These are managed by the Ethics and Compliance Team and serve as assurance bodies and oversight functions of the compliance framework.

The Corporate Compliance Committee consists of all members of the Millicom Executive Team and the Chief Ethics & Compliance Officer. The local committees are managed by the relevant Ethics & Compliance managers, together with the general managers and their leadership teams in the local operations. The local compliance committees will report into the Corporate Compliance Committee for transparency, assurance and oversight.

The Chief Ethics & Compliance Officer reports monthly to the Executive Team and Corporate Compliance Committee. On a regular basis reports are shared with the Board and the newly established Compliance and Business Conduct Committee of the Board.

Whistleblowing, case management and reporting
The Group operates an ethics helpline, which is managed by the Ethics & Compliance Team and administered by an independent third party. The Millicom Ethics Line allows for anonymous reporting, is available on the Millicom website, and is available to all employees as well as third parties.

A quarterly report on matters raised through the Millicom Ethics Line is provided to the Corporate Compliance Committee, the Executive Team and on an annual basis to the Audit Committee.

Key governance initiatives
The role of Chief Ethics & Compliance Officer (CECO) was created and the role was filled mid-year. The CECO reports directly to the Board, with a dotted line to the CEO. A new Compliance structure with an enhanced level of resource was approved.

The Code of Conduct training completion is now linked to bonus eligibility. The target threshold is 90% of staff completion rate, which was achieved enterprise wide.

Internal Audit initiated frequent reviews of the Compliance framework and risks. These audits will be performed on a rolling basis year on year. A compliance auditor has been approved for Internal Audit and will assist in targeting compliance-related issues.

A cross-functional Investigations Review Committee (IRC) was established to oversee and manage all ethics and compliance concerns raised in one central clearing house with representatives from Compliance, HR, Legal and Internal Control.

Added emphasis was placed on due diligence for third parties, including suppliers, vendors, agents, consultants and M&A targets. Third parties due diligence is being enhanced and third parties will be reviewed according to the risk they present to Millicom and its operations. A due diligence vendor is being identified to assist in this initiative.

Management governance – continued

We frequently engage external auditors to conduct independent reviews of our Compliance Framework and Anti-Bribery & Anti-Corruption (ABAC) Program. With the support of the Chief Ethics & Compliance Officer, and with continued sponsorship by the Board, a review of the compliance framework was performed across a selection of markets. The Washington based law firm Covington & Burling was commissioned to perform the review.

A focus was working with Guatemala to strengthen governance. In 2016, we emphasized the role of the local board utilizing several key executives including CEO, CFO and General Counsel, added audit and compensation committees to the local board, strengthened audit function, and began working on compliance initiatives.

4. Corporate responsibility

This year, for the first time, Millicom integrates corporate responsibility-related performance data and information to our annual financial and operational report to demonstrate how managing key "growing responsibly" topics and subsequent risks support successful delivery of our business strategy. Millicom's VP Corporate Responsibility (CR) leads the team that manages the Group's "growing responsibly" reporting process and publishes CR-related strategy, management and performance information in the annual integrated report. Our integrated report will continue to be a key vehicle in promoting transparency towards investors and other key stakeholders on CR risks and opportunities.

The CR team has active interaction with external stakeholders to ensure that Millicom understands and addresses CR issues that are important and relevant to its stakeholders. This is done in a formal way in a bi-annual materiality analysis, and for the most part via ongoing interaction with our key partners and stakeholders.

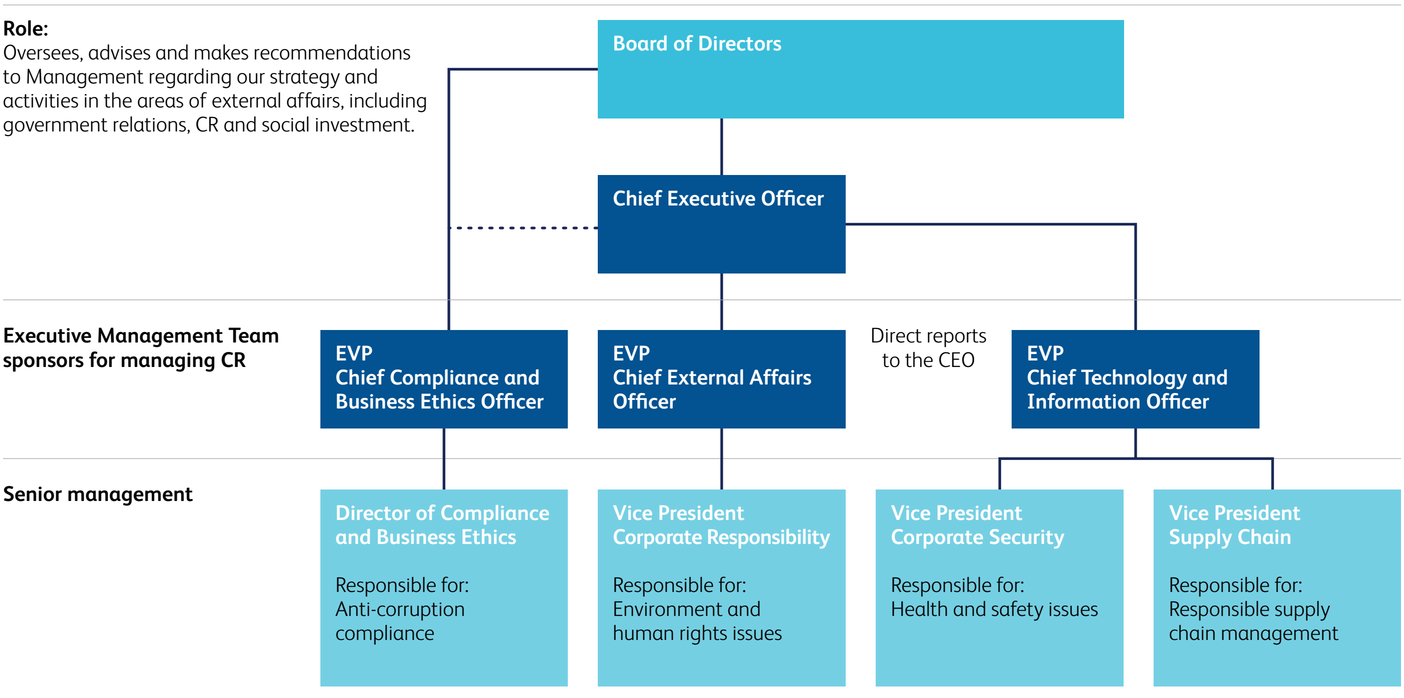
In addition to anticipating and improving preparedness on risks, the CR function also adds value by seeking leadership opportunities for the Group to improve reputation and brand perception, and monitoring cost savings from environmental initiatives.

Governance of CR

In 2016, the Board decided to cease the specialized Government Relations (GR) and CR Committee, and assumed the overall responsibility of overseeing GR, CR and social investment (SI). The driver for this change was the depth and materiality of these topics, the current maturity level of the programs, and that monitoring of subsequent risks was considered by the Board as of importance to its entirety. The change has given CR and SI topics more visibility across the Board, as our Executive Vice President (EVP) Chief External Affairs Officer, a direct report of our CEO, is now directly accountable to the Board for delivering updates on our CR and SI strategy.

VP of Corporate Responsibility reports progress on CR and SI strategy implementation and issues management to the Millicom Executive Committee on a monthly basis through the EVP Chief External Affairs Officer, and in specific cases directly.

How CR is governed



Management governance – continued

5. Security

Millicom has a robust professional security and safety model, managed by the VP Corporate Security, reporting into the EVP and CTIO. The Security team oversees the implementation of policy and Group standards in physical security, health and safety, business continuity and information security, by local operational teams.

The focus of the Corporate Security team is to protect life, protect information, to promote well-being and to build resilience throughout the business, to unexpected events or crises.

Currently, the Corporate Security team is working with the respective operating entities by implementing international standards such as OHSAS 18001, ISO 27001, ISO 22301 and 31000 in order to secure additional services as well as mitigating risk to the business.

Business Continuity and Crisis Management

Our business continuity and crisis management system is designed to address significant disruption that might affect our capabilities to perform critical day-to-day activities related to the delivery of our services. All critical services and business processes are identified by a business impact analysis, and are required to have a disaster recovery and business continuity plan. All critical assets identified in the impact analysis have a risk assessment performed to address all relevant operational threats. All relevant risks are then subjected to a formal risk mitigation plan.

Millicom crisis management defines the proper response to, and management of, an intense, unexpected and unstable situation that disrupts normal operation and has highly undesirable outcomes, which require extraordinary measures to restore normal operations. Crisis management aims to protect the safety of our staff and our reputation, together with continuous and reliable delivery of service to customers, while maintaining contractual, legal and regulatory compliance.

In parallel, Millicom has in place physical security and loss prevention standards which set minimum acceptable levels of critical site protection, as defined by industry best practice.

All activities are subject to a program of monitoring and compliance activities.

Information Security

Millicom's information security management system establishes security requirements, aiming to make our network more resilient to emerging threats, to ultimately support the corporate strategic objectives. The framework allows for a risk driven approach to protect the confidentiality, integrity and availability of Millicom's information and technology assets. It is based on the international code of practice for information security management ISO/IEC 27001.

A risk assessment process is in place to identify new risks, and all relevant risks are then subjected to a formal risk mitigation plan. The Global Information Steering Committee, comprising the CTIO, and the information security and IT senior leadership, meets quarterly to assess and prioritize information security risks across the Group, and to provide status updates to the Millicom Audit Committee.

Particular focus in 2016 was given to three key areas of information risk: logical access control, network segmentation and log management, in response to earlier audit and internal control findings.

Health and Safety Management

Our health and safety management system is designed to tackle the most significant risks at both corporate and country level. The key risks include the following: personal safety and security during travel, working at height, road risk, managed services, fire and health, including blood borne viruses such as malaria, Zika, Dengue fever and Ebola.

During the year, our control measures were reviewed and revised to ensure a robust approach is adopted across all countries.

Management responsibility statement

We, Mauricio Ramos, Chief Executive Officer and Tim Pennington, Chief Financial Officer, confirm, to the best of our knowledge, that these 2016 consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Millicom Group and the undertakings included in the consolidation taken as a whole, and that the Directors' report includes a fair review of the development and performance of the business and the position of the Millicom Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 7 February 2017

Mauricio Ramos
Chief Executive Officer

Tim Pennington
Chief Financial Officer

Financials

This section details our financial performance for 2016.

Independent auditor's report

To the shareholders of Millicom International Cellular S.A.

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 17 May 2016, we have audited the accompanying consolidated financial statements of Millicom International Cellular S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Millicom International Cellular S.A., as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report on pages 90 to 91, which is the responsibility of the Board of Directors is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying corporate governance statement on pages 92 to 127, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 7 February 2017

Introduction

Corporate information

Millicom International Cellular S.A. (the "Company"), a Luxembourg Société Anonyme, and its subsidiaries, joint ventures and associates (the "Group" or "Millicom") is an international telecommunications and media group providing digital lifestyle services in emerging markets, through mobile and fixed telephony, cable, broadband, TV and investments in online businesses in Latin America and Africa.

The Company's shares are traded as Swedish Depositary Receipts on the Stockholm stock exchange under the symbol MIC SDB and over the counter in the US under the symbol MIICF. The Company has its registered office at 2, Rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

On 7 February 2017 the Board of Directors (the "Board") authorized these consolidated financial statements for issuance. The approval will be submitted for ratification by the shareholders at the Annual General Meeting to be held on 4 May 2017.

Business activities

Millicom operates its mobile businesses in Central America (El Salvador, Guatemala and Honduras) in South America (Bolivia, Colombia and Paraguay), and in Africa (Chad, Ghana, Rwanda, Senegal and Tanzania).

Millicom operates various cable and fixed line businesses in Latin America (Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Bolivia and Paraguay). Millicom also provides direct to home satellite service in many of its Latin American countries.

On 31 December 2015, Millicom deconsolidated its operations in Guatemala and Honduras which are, since that date and for accounting purposes, under joint control. Income statements of those operations are still fully consolidated for the year ended 2015 (see note A.2.2., for further details).

Millicom has investments in online/e-commerce businesses in several countries in Latin America and Africa, investments in a tower holding company in Africa and various investments in start-up businesses providing e-payments and content to its mobile and cable customers.

IFRS consolidated financial statements

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). This is in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards for listed companies domiciled in the European Union.

The financial statements have been prepared on an historical cost basis, except for certain items including derivative financial instruments and call options (measured at fair value), financial instruments that contain obligations to purchase own equity instruments (measured at the present value of the redemption price), and property, plant and equipment under finance leases (initially measured at the lower of fair value and present value of the future minimum lease payments).

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material items are not included in these financial statements.

Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as of 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated.

Introduction – continued

IFRS consolidated financial statements – continued

Foreign currency

Financial information in these financial statements are shown in the US dollar presentation currency of the Group and rounded to the nearest million (US$ million) except where otherwise indicated. The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associate reflects the economic substance of the underlying events and circumstances of these entities. Except for DRC and El Salvador where the functional currency is US dollar, the functional currency in other countries is the local currency.

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary environment) with functional currency other than the US dollar presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate on the date of the statement of financial position;

ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) All resulting exchange differences are recognized as a separate component of equity ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in equity. When the Group disposes of or loses control over a foreign operation, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on sale or loss of control.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following table presents functional currency translation rates for the Group's locations to the US dollar on 31 December 2016 and 2015.

Exchange rates to the US dollar	Functional currency	2016 Average rate	2016 Year-end rate	2015 Year-end rate	Change %
Bolivia	Boliviano (BOB)	**6.91**	**6.91**	6.91	n/a
Chad and Senegal	CFA Franc (XAF)	**600.08**	**626.14**	609.96	2.65
Colombia	Peso (COP)	**3,048.51**	**3,000.71**	3,149.47	(4.72)
Costa Rica	Costa Rican Colon (CRC)	**551.47**	**561.10**	544.87	2.98
DRC	US dollar	**n/a**	**n/a**	n/a	n/a
El Salvador	US dollar	**n/a**	**n/a**	n/a	n/a
Ghana	Cedi (GHS)	**3.92**	**4.20**	3.80	10.53
Guatemala	Quetzal (GTQ)	**7.61**	**7.52**	7.63	(1.44)
Honduras	Lempira (HNL)	**22.92**	**23.59**	22.43	5.17
Luxembourg	Euro (EUR)	**0.91**	**0.95**	0.92	3.26
Nicaragua	Cordoba (NIO)	**28.62**	**29.32**	27.93	4.98
Paraguay	Guarani (PYG)	**5,685.89**	**5,766.93**	5,806.91	(0.69)
Rwanda	Rwandan Franc (RWF)	**786.82**	**819.79**	747.41	9.68
Sweden	Krona (SEK)	**8.58**	**9.11**	8.44	7.94
Tanzania	Shilling (TZS)	**2,183.35**	**2,181.00**	2,159.00	1.02
United Kingdom	Pound (GBP)	**0.74**	**0.81**	0.68	19.12

Introduction – continued

New and amended IFRS accounting standards

Standards or amendments	Objective	IASB effective date
Adopted by Millicom on 1 January 2016 with no material impact to the consolidated financial statements		
Amendment to IAS 1	These amendments are part of the IASB initiative to improve presentation and disclosure in financial report, and rather clarify than significantly change, the existing IAS 1 requirements. The amendments clarify: the materiality requirements in IAS 1, that specific line items in the statement(s) of profit or loss, and Other Comprehensive Income ('OCI') and the statement of financial position may be disaggregated, that entities have flexibility as to the order in which they present the notes to financial statements, that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.	1 January 2016
Annual improvements 2014	These set of amendments impact four standards: IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal, IFRS 7, "Financial instruments: Disclosures", IAS 19, "Employee benefits" regarding discount rates, IAS 34, "Interim financial reporting" regarding disclosure of information.	1 January 2016
Amendments to IAS 38 and IAS 16	Clarification of acceptable methods of depreciation and amortization issued by the IASB in July 2014.	1 January 2016
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations issued by the IASB in May 2014.	1 January 2016
Not yet effective and not early adopted by Millicom on 1 January 2016		
IFRS 9, "Financial Instruments"	IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. The Group does not expect IFRS 9 to have a material impact on the consolidated financial statements and intends to adopt IFRS 9 no later than the compulsory adoption date of 1 January 2018.	1 January 2018
IAS 12, "Recognition of deferred tax assets for unrealized losses"	The IASB issued the amendments to IAS 12 Income taxes to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017

Introduction – continued

New and amended IFRS accounting standards – continued

Standards or amendments	Objective	IASB effective date
IFRS 15, "Revenue from contracts with customers"	IFRS 15 establishes a five-step model related to revenue recognition from contracts with customers. Under IFRS 15, revenue is recognized at amounts that reflect the consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group is currently conducting a Group-wide IFRS 15 assessment and implementation project. Based on the analyses made to date, the Group estimates that IFRS 15 will have an impact on the timing and amount of revenue recognition in connection with certain multiple-element arrangements and more particularly on hardware subsidies (e.g. mobile handsets). Under IFRS 15 a larger portion of the total consideration received in a bundled contract will be attributable to the component delivered at contract inception (e.g. mobile handset), requiring earlier revenue recognition. The delivery of subsidized handsets would likely lead to the recognition of a contract asset. As a result, this would likely lead to higher revenue from the sale of hardware and to lower revenue from the provision of telecommunications services. The recognition of commission costs related to the acquisition of customers is also expected to be affected as the Group will have to capitalize certain of these commissions. Moreover, the new Standard could impact transactions wherein third parties are involved concerning the gross vs net presentation of revenue. Consequently, IFRS 15 might have a material effect on the statement of financial position and income statement at first-time adoption, however a reasonable estimate of the quantitative impact is not possible to be derived at this stage. The Group expects to adopt IFRS 15 using the cumulative catch-up transition method no later than the compulsory adoption date of 1 January 2018. As the Group does not intend to early adopt the Standard, no material impact on revenue recognition is expected at year-end 2017.	1 January 2018
IFRS 16, "Leases"	The application of the Standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$727 million, see note G.2. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows. This said, the application of this Standard will affect net debt and leverage ratios of the Group. Some of the commitments may be covered by the exemption for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The new Standard is effective 1 January 2019 (subject to endorsement by the EU). Early application is permitted (as long as the recently issued revenue Standard, IFRS 15 "Revenue from Contracts with Customers" is also applied). The Group intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2019
IAS 7, Disclosure initiative – Amendment to IAS 7	The amendments to IAS 7 Statement of cash flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it no later than the compulsory adoption date (subject to endorsement by the EU).	1 January 2017
IFRIC 22, "Foreign currency transactions and advance consideration"	This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group does not expect this amendment to have a material impact on the consolidated financial statements and intends to adopt it once it is endorsed by the EU.	1 January 2018
Annual improvements 2014–2016	These amendments impact three standards: IFRS 1, "First-time adoption of IFRS", regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018. IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018. The Group does not expect these improvements to have a material impact on the consolidated financial statements.	1 January 2018

Introduction – continued

Judgments and critical estimates

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and actual results may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each note and are summarized below:

Judgments

Management apply judgment in accounting treatment and accounting policies in preparation of these financial statements. In particular a significant level of judgment is applied regarding the following items:

- **Contingent liabilities** – whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- **Leases** – whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see notes E.2. and G.2.).
- **Control** – whether Millicom, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates, or jointly direct the relevant activities of its joint ventures (see notes A.1., A.2.).
- **Discontinued operations and assets held for sale** – definition, classification and presentation (see notes A.4., E.3.1.) as well as measurement of potential provisions related to indemnities.
- **Deferred tax assets** – recognition based on likely timing and level of future taxable profits together with future tax planning strategies (see notes B.6.3. and G.3.2.).
- **Acquisitions** – measurement at fair value of existing and newly identified assets and goodwill, the measurement of property, plant and equipment and intangible assets, and the assessment of useful lives (see notes A.1.2., E.1.1., E.1.5., E.2.1.).
- **Financial instruments that contain obligations to purchase own equity instruments** – determination of the likelihood of change of control events occurring in assessing the fair value of the Guatemala and Honduras put options in 2015 (see note C.6.3.).
- **Defined benefit obligations** – key assumptions related to life expectancies, salary increases and leaving rates, mainly related to UNE Colombia (see note B.4.3.).
- **Impairment testing** – Key assumptions related to future business performance (see notes E.1.2., E.1.6., E.2.2.).

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. Estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant estimates have been applied in respect of the following items:

- **Accounting for property, plant and equipment, and intangible assets** in determining fair values at acquisition dates, particularly for assets acquired in business combinations and sale and leaseback transactions (see note E.2.1.).
- **Useful lives of property, plant and equipment and intangible assets** (see notes E.1.1., E.2.1.).
- **Provisions, in particular provisions for asset retirement obligations, legal and tax risks** (see note F.4.).
- **Revenue recognition** (see note B.1.1.).
- **Impairment testing including** WACC and long term growth rates (see note E.1.6.).
- **Estimates for defined benefit obligations** (see note B.4.3.).
- **Accounting for share-based compensation** in particular estimates of forfeitures and future performance criteria (see note B.4.1., B.4.2.).
- **Fair value of financial assets and liabilities** in particular the put and call options related to our businesses in Guatemala and Honduras and the fair value of such investments on deconsolidation (see note A.2.2., C.6.3.).

Consolidated statement of income

for the year ended 31 December 2016

US$ millions	Notes	2016[ii]	2015[i]
Revenue	B.1.	**4,374**	6,572
Cost of sales	B.2.	**(1,279)**	(1,793)
Gross profit		**3,096**	4,778
Operating expenses	B.2.	**(1,781)**	(2,590)
Depreciation	E.2.2.	**(744)**	(1,035)
Amortization	E.1.3.	**(184)**	(246)
Income from joint ventures, net	A.2.	**115**	—
Other operating expenses		**(20)**	(64)
Operating profit	B.3.	**482**	843
Interest expense		**(394)**	(425)
Interest and other financial income		**22**	22
Other non-operating (expenses) income, net	B.5.	**10**	(624)
Income (loss) from associates, net	A.3.	**(49)**	100
Profit (loss) before taxes from continuing operations		**71**	(83)
Charge for taxes, net	B.6.	**(180)**	(278)
Loss for the year from continuing operations		**(109)**	(361)
Profit (loss) for the year from discontinued operations, net of tax	A.4.	**19**	(83)
Net loss for the year		**(90)**	(444)
Attributable to:			
The owners of Millicom		**(32)**	(559)
Non-controlling interests		**(58)**	115
Earnings per common share for profit (loss) attributable to the owners of the Company:			
Basic (US$ per common share):			
— from continuing operations		**(0.51)**	(4.76)
— from discontinued operations		**0.19**	(0.83)
— **total**	B.7.	**(0.32)**	(5.59)
Diluted (US$ per common share)			
— from continuing operations		**(0.51)**	(4.76)
— from discontinued operations		**0.19**	(0.83)
— **total**	B.7.	**(0.32)**	(5.59)

(i) Re-presented for discontinued operations (shown in note A.4.).
(ii) The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated income statement is shown in note A.2.2.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2016

US$ millions	2016	2015
Net loss for the year	**(90)**	(444)
Other comprehensive income (to be reclassified to the income statement in subsequent periods), net of tax:		
Exchange differences on translating foreign operations(i)	**(14)**	(438)
Change in value of cash flow hedges, net of tax effects	**(3)**	(3)
Other comprehensive income (not to be reclassified to the income statement in subsequent periods), net of tax:		
Remeasurements of post-employment benefit obligations, net of tax effects	**(2)**	—
Total comprehensive loss for the year	**(109)**	(885)
Attributable to:		
Owners of the Company	**(60)**	(897)
Non-controlling interests	**(49)**	12

(i) Cumulative exchange differences of US$192 million has been reclassified in the income statement as of 31 December 2015 following the deconsolidation of Honduras and Guatemala (see note A.2.2.).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December 2016

US$ millions	Notes	31 December 2016	31 December 2015[i]
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	E.1.	**1,359**	1,429
Property, plant and equipment, net	E.2.	**3,057**	3,198
Investments in joint ventures	A.2.	**2,945**	3,220
Investments in associates	A.3.	**331**	376
Deferred tax assets	B.6.	**166**	188
Derivative financial instruments	D.1.2.	**32**	26
Other non-current assets		**72**	75
TOTAL NON-CURRENT ASSETS		**7,961**	8,512
CURRENT ASSETS			
Inventories, net	F.2.	**62**	80
Trade receivables, net	F.1.	**387**	398
Amounts due from non-controlling interests, associates and joint ventures	G.5.	**17**	16
Prepayments and accrued income		**171**	193
Current income tax assets		**101**	125
Supplier advances for capital expenditure		**23**	39
Other current assets		**110**	109
Restricted cash	C.4.	**145**	142
Cash and cash equivalents	C.4.	**646**	769
TOTAL CURRENT ASSETS		**1,661**	1,871
Assets held for sale	E.3.2.	**5**	12
TOTAL ASSETS		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December 2016 – continued

US$ millions	Notes	31 December 2016	31 December 2015(i)
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	C.1.	**638**	639
Treasury shares		**(123)**	(143)
Other reserves	C.1.	**(562)**	(531)
Retained profits		**3,247**	4,071
Loss for the year attributable to equity holders		**(32)**	(559)
Equity attributable to owners of the Company		**3,167**	3,477
Non-controlling interests	A.1.5.	**201**	251
TOTAL EQUITY		**3,368**	3,728
LIABILITIES			
Non-current liabilities			
Debt and financing	C.3.	**3,821**	3,789
Derivative financial instruments	D.1.2.	**84**	65
Amounts due to associates and joint ventures	G.5.	**113**	63
Provisions and other non-current liabilities	F.4.2.	**286**	243
Deferred tax liabilities	B.6.	**57**	50
Total non-current liabilities		**4,361**	4,210
Current liabilities			
Debt and financing	C.3.	**80**	221
Payables and accruals for capital expenditure		**326**	285
Other trade payables		**297**	334
Amounts due to non-controlling interests, associates and joint ventures	G.5.	**273**	581
Accrued interest and other expenses		**376**	425
Current income tax liabilities		**68**	124
Provisions and other current liabilities	F.4.1.	**477**	487
Total current liabilities		**1,898**	2,457
Liabilities directly associated with assets held for sale	E.3.2.	**—**	—
TOTAL LIABILITIES		**6,258**	6,667
TOTAL EQUITY AND LIABILITIES		**9,627**	10,395

(i) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2016

US$ millions	Notes	2016	2015[i]
Cash flows from operating activities			
Profit (loss) before taxes from continuing operations		**71**	(83)
Profit (loss) before taxes from discontinued operations	A.4.	**13**	(70)
Profit (loss) before taxes		**83**	(153)
Adjustments to reconcile to net cash:			
Interest expense (income), net		**397**	442
Interest and other financial income		**(22)**	(22)
Adjustments for non-cash items:			
Depreciation and amortization		**932**	1,321
Income from joint ventures, net	A.2.	**(115)**	—
Loss on disposal and impairment of assets, net	E.1.6.	**19**	66
Share based compensation	C.1.	**14**	19
(Income) loss from associates, net	A.3.	**49**	(100)
Other non-cash non-operating (income) expenses, net	B.5.	**(22)**	622
Changes in working capital:			
Decrease (increase) in trade receivables, prepayments and other current assets		**102**	162
(Increase) decrease in inventories		**19**	17
Increase (decrease) in trade and other payables		**(109)**	(117)
Changes in working capital:		**12**	62
Interest (paid)		**(357)**	(377)
Interest received		**19**	23
Taxes (paid)		**(130)**	(252)
Net cash provided by operating activities		**878**	1,651
Cash flows from investing activities:			
Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired	A.1.	**—**	(54)
Dividend received from joint-ventures	A.2.2.	**143**	—
Effect of deconsolidation of Guatemala and Honduras subsidiaries	A.2.2.	**—**	(168)
Proceeds from disposal of subsidiaries, net of cash disposed	E.3.2.	**147**	4
Purchase of intangible assets and licenses	E.1.4.	**(143)**	(186)
Proceeds from sale of intangible assets	E.1.3.	**6**	4
Purchase of property, plant and equipment	E.2.3.	**(719)**	(1,019)
Proceeds from sale of property, plant and equipment	E.2.2.	**6**	5
Net (increase) decrease in restricted cash		**—**	(17)
Dividend received from associates	A.3.	**—**	6
Cash (used in) provided by other investing activities, net		**8**	14
Net cash used in investing activities		**(552)**	(1,411)
Cash flows from financing activities:			
Acquisition of non-controlling interests	A.1.2.	**—**	(39)
Proceeds from debt and financing	C.3.	**713**	1,880
Repayment of debt and financing	C.3.	**(821)**	(1,392)
Advances for, and dividends to non-controlling interests	A.1./A.2.	**(68)**	(269)
Payment of dividends to equity holders	C.2.	**(265)**	(264)
Cash (used in) provided by other financing activities, net		**—**	—
Net cash from (used by) financing activities		**(441)**	(84)
Exchange impact on cash and cash equivalents, net		**(8)**	(81)
Net (decrease) increase in cash and cash equivalents		**(123)**	75
Cash and cash equivalents at the beginning of the year		**769**	694
Cash and cash equivalents at the end of the year		**646**	769

(i) Honduras and Guatemala operations are fully consolidated for the year ended 31 December 2015. The impact of accounting for Honduras and Guatemala under the equity method on the presentation of the 2015 consolidated statement of cash flows are shown in note A.2.2.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016

US$ millions	Number of shares (000's)	Number of shares held by the Group (000's)	Share capital(i)	Share premium	Treasury shares	Retained profits(ii)	Put option reserve	Other reserves(iv)	Total	Non-controlling interests	Total equity
Balance on 31 December 2014	**101,739**	**(1,756)**	**153**	**487**	**(160)**	**4,761**	**(2,512)**	**(389)**	**2,339**	**1,391**	**3,730**
Total comprehensive income for the year	—	—	—	—	—	(559)	—	(338)	(897)	12	(885)
Dividends(v)	—	—	—	—	—	(264)	—	—	(264)	(244)	(508)
Purchase of treasury shares	—	(29)	—	—	(2)	—	—	—	(2)	—	(2)
Share based compensation(vi)	—	—	—	—	—	—	—	19	19	—	19
Issuance of shares under share based compensation schemes	—	209	—	(1)	19	—	—	(18)	—	—	—
Change in scope of consolidation(vii)	—	—	—	—	—	(48)	—	3	(45)	10	(35)
Effect of deconsolidation(ix)	—	—	—	—	—	—	—	192	192	(918)	(726)
Put option liability reversal (iii)	—	—	—	—	—	(377)	2,512	—	2,135	—	2,135
Balance on 31 December 2015(viii)	**101,739**	**(1,574)**	**153**	**486**	**(143)**	**3,513**	**—**	**(531)**	**3,477**	**251**	**3,728**
Total comprehensive income for the year	—	—	—	—	—	(32)	—	(28)	(60)	(49)	(109)
Dividends(v)	—	—	—	—	—	(265)	—	—	(265)	—	(265)
Purchase of treasury shares	—	(37)	—	—	(3)	—	—	—	(3)	—	(3)
Share based compensation(vi)	—	—	—	—	—	—	—	14	14	—	14
Issuance of shares under share based compensation schemes	—	216	—	(1)	23	(1)	—	(17)	4	—	4
Balance on 31 December 2016	**101,739**	**(1,395)**	**153**	**485**	**(123)**	**3,215**	**—**	**(562)**	**3,167**	**201**	**3,368**

(i) Share capital and share premium – see note C.1.
(ii) Retained profits – includes profit for the year attributable to equity holders, of which $321 million; (2015: $384 million) are not distributable to equity holders.
(iii) Put option reserve – see note C.1.
(iv) Other reserves – see note C.1.
(v) Dividends – see notes C.2.
(vi) Share-based compensation – see note C.1.
(vii) Change in scope of consolidation in 2015 – Zantel, Edatel and Tigo Rwanda see note A.1.2.
(viii) The consolidated statement of financial position for the year ended 31 December 2015 has been restated after finalization of Zantel's purchase accounting (note A.1.2.).
(ix) Effect of deconsolidation of Honduras and Guatemala – see note A.2.2.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2016

A. The Millicom Group

The Group comprises a number of holding companies and operating subsidiaries with various combinations of mobile, fixed line telephony, cable and wireless PayTV, internet and Mobile Financial Services businesses. The Group also holds investments in a tower holding company investing in Africa and in online businesses in Latin America and Africa.

A.1. Subsidiaries

Subsidiaries are all entities which Millicom controls. Millicom controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. Millicom has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally, control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether Millicom controls an entity. For example, although Millicom holds less than 50% of the shares in its Colombian businesses, it holds more than 50% of shares with voting rights. The contrary may also be true (e.g. Guatemala and Honduras).

Our main subsidiaries are as follows:

Entity	Country	Activities	31 December 2016 % holding	31 December 2015 % holding
Central America				
Telemovil El Salvador S.A.	El Salvador	Mobile, MFS	**100.0**	100.0
Cable El Salvador S.A. de C.V.	El Salvador	Cable, DTH	**100.0**	100.0
Navega.com SA, Succursal El Salvador	El Salvador	Cable, DTH	**100.0**	100.0
Cable Costa Rica S.A.	Costa Rica	Cable, DTH	**100.0**	100.0
South America				
Telefonica Celular de Bolivia S.A.	Bolivia	Mobile, DTH, MFS, Cable	**100.0**	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	Mobile, MFS, Cable, PayTV	**100.0**	100.0
Colombia Móvil S.A. E.S.P.(i)	Colombia	Mobile	**50.0-1 share**	50.0-1 share
UNE EPM Telecomunicaciones S.A.(i)	Colombia	Fixed line, Internet, PayTV, Mobile	**50.0-1 share**	50.0-1 share
Edatel S.A. E.S.P.(i)	Colombia	Fixed line, Internet, PayTV, Cable	**50.0-1 share**	50.0-1 share
Africa				
Millicom Ghana Company Limited	Ghana	Mobile, MFS	**100.0**	100.0
Sentel GSM S.A.	Senegal	Mobile, MFS	**100.0**	100.0
MIC Tanzania Limited (iii)	Tanzania	Mobile, MFS	**100.0**	100.0
Oasis S.A.(ii)	DRC	Mobile, MFS	**—**	100.0
Millicom Tchad S.A.	Chad	Mobile, MFS	**100.0**	100.0
Millicom Rwanda Limited	Rwanda	Mobile, MFS	**100.0**	100.0
Zanzibar Telecom Limited	Tanzania	Mobile, MFS	**85.0**	85.0
Unallocated				
Millicom International Operations S.A.	Luxembourg	Holding Company	**100.0**	100.0
Millicom International Operations B.V.	Netherlands	Holding Company	**100.0**	100.0
MIC Latin America B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Africa B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Holding B.V.	Netherlands	Holding Company	**100.0**	100.0
Millicom Spain S.L.	Spain	Holding Company	**100.0**	100.0

(i) Fully consolidated as Millicom has the majority of voting shares to direct the relevant activities.
(ii) Disposed of in April 2016 and classified as discontinued operations for the year then ended (see note A.1.4.).
(iii) See note H.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to Millicom. If facts and circumstances indicate that there are changes to one or more of the elements of control, a reassessment is performed to determine if control still exists. Subsidiaries are de-consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Acquisition of subsidiaries and increases in non-controlling interests in subsidiaries

During the year ended 31 December 2016, Millicom did not make any significant acquisition.

During 2015 Millicom acquired 85% of the shares and control of Zanzibar Telecom Limited, raised its stake in its Rwandan subsidiary from 87.5% to 100% and in one of the UNE subsidiaries (Edatel S.A. E.S.P.) from 80% to 100%. The Group also made other smaller acquisitions for a total consideration of US$20 million.

Acquisition of Zanzibar Telecom Limited on 22 October 2015

On 4 June 2015 Millicom's fully owned Swedish subsidiary Millicom International Ventures AB entered into an agreement to purchase 85% of Zanzibar Telecom Limited ("Zantel"). The agreed purchase consideration was US$1 subject to final price adjustment and included a shareholder loan. In addition Millicom assumed Zantel's debt obligations. The transaction completed on 22 October 2015 after receipt of regulatory approvals. A final price adjustment, if any, may still occur in the coming months after the appointment of an independent expert. The deal also includes a reverse earn-out mechanism based on Zantel's achievement of EBITDA targets for the period from 2017 to 2019. No amounts have been recognized under this mechanism.

For the purchase accounting, Millicom determined the fair value of Zantel based on transaction and relative values. The non-controlling interest was measured based on the proportionate share of the fair value of the net assets of Zantel. The purchase accounting was updated and finalized in 2016 when additional information became available regarding fair values of acquired assets and liabilities.

22 October 2015 (US$ millions)	Initial fair values 100%	**Final fair values 100%**	Change
Intangible assets (excluding goodwill), net.(i)	36	**75**	39
Property, plant and equipment, net(ii)	40	**32**	(8)
Other non-current assets(iii)	1	**14**	13
Current assets (excluding cash)(iv)(v)	30	**41**	11
Cash and cash equivalents	5	**5**	—
Total assets acquired	112	**167**	55
Non-current liabilities	81	**77**	(4)
Current liabilities	104	**103**	(1)
Total liabilities assumed	185	**180**	(5)
Fair value of assets acquired and liabilities assumed, net	(73)	**(13)**	60
Fair value of non-controlling interest in Zantel	(39)	**(2)**	37
Millicom's interest in the fair value of Zantel	(34)	**(11)**	23
Acquisition price (US$1 dollar)	—	**—**	—
Goodwill	34	**11**	(23)

(i) Intangible assets not previously recognized are a trademark for an amount of US$10 million, with indefinite useful life, a customer list for an amount of US$13 million, with estimated useful life of four years, telecommunication spectrum licenses for an amount of US$23 million, with estimated useful life of ten years and favorable contracts for US$2 million. Certain IRUs were also written down to their fair values for an amount of US$9 million.
(ii) Certain network and civil works assets were adjusted down to their fair value for an amount of US$10 million. Certain land values were also stepped up to their fair value for an amount of US$2 million.
(iii) The change in other non-current assets mainly corresponds to the step up at fair value of Zantel's 9% investment in the West Indian Ocean Cable Company Limited ("WIOCC"), a telecommunications carriers' carrier.
(iv) Current assets includes indemnification assets at fair value for an amount of US$11 million.
(v) The fair value of trade receivables acquired was US$19 million.

The update of the purchase price allocation resulted in an impact on net income of less than US$(1) million for the year ended 31 December 2015, which has been considered as immaterial and has not triggered a restatement of the prior year income statement. The goodwill, which comprises the fair value of the assembled work force and expected synergies from the acquisition, is not tax deductible.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

Control over UNE and subsidiaries obtained on 14 August 2014
On 1 October 2013 Millicom signed an agreement with Empresas Públicas de Medellín E.S.P. (“EPM”), to combine and merge their mutual interests in Millicom’s Colombian operations (“Colombia Móvil”), with UNE EPM Telecomunicaciones S.A. (“UNE”). The merger created a business offering a comprehensive range of bundled digital services including mobile and fixed telephony, mobile and fixed broadband and PayTV products and services in complementary geographic areas. The transaction was completed on 14 August 2014.

In August 2015, the purchase accounting for the acquisition of UNE was finalized. The completion of the purchase price allocation resulted in an impact on net profit of US$(2) million for the year ended 31 December 2015.

A.1.3. Cash flows from acquisition of subsidiaries, joint ventures and associates

Cash inflows and outflows (US$ millions)	**2016**	2015
Net cash acquired from acquisition of Zantel	—	5
Increase in shareholdings (investments) in Online businesses	—	(29)
Other acquisitions (net of cash acquired)	—	(30)
Total	—	(54)

A.1.4. Disposal of subsidiaries and decreases in non-controlling interests of subsidiaries
DRC
On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. (see note E.3.).

Other disposals
For the year ended 31 December 2016, Millicom did not dispose of any investments. For the year ended 31 December 2015, Millicom disposed of minor subsidiries for a cash consideration of US$4 million.

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests
At 31 December 2016, Millicom’s subsidiaries with material non-controlling interests were the Group’s operations in Colombia (UNE and Colombia Móvil).

Balance sheet – non-controlling interests 31 December (US$ millions)	**2016**	2015
Colombia (including UNE and Colombia Móvil)	**207**	254
Others	**(6)**	(3)
Total	**201**	251

Profit (loss) attributable to non-controlling interests (US$ millions)	**2016**	2015
Guatemala operations (until 31 December 2015 – see note A.2.2.)	—	148
Honduras operations (until 31 December 2015 – see note A.2.2.)	—	20
Colombia (including UNE and Colombia Móvil)	**(55)**	(50)
Others	**(3)**	(3)
Total	**(58)**	115

The summarized financial information for the year ended 31 December 2015 in respect of material non-controlling interests in the Guatemala and Honduras operations are presented in note A.2.2.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.1.5. Summarized financial information relating to significant subsidiaries with non-controlling interests – continued

The summarized financial information for material non-controlling interests in our operation in Colombia (including UNE and Colombia Móvil) is provided below. This information is based on amounts before inter-company eliminations.

UNE and subsidiaries (including Colombia Móvil) (US$ millions)	2016	2015
Revenue	**1,717**	1,982
Total operating expenses	**(660)**	(751)
Operating profit	**40**	94
Net (loss) for the year	**(110)**	(100)
50% non-controlling interest in net (loss)	**(55)**	(50)
Total assets (excluding goodwill)	**2,221**	2,278
Total liabilities	**1,776**	1,745
Net assets	**445**	533
50% non-controlling interest in net assets	**223**	266
Consolidation adjustments	**(16)**	(12)
Total non-controlling interest	**207**	254
Dividends and advances paid to non-controlling interest	**67**	11
Net cash from operating activities	**366**	423
Net cash from (used in) investing activities	**(340)**	(435)
Net cash from (used in) financing activities	**(24)**	(25)
Exchange impact on cash and cash equivalents, net	**1**	(38)
Net (decrease) in cash and cash equivalents	**3**	(75)

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2. Joint ventures

Joint ventures are businesses over which Millicom exercises joint control as decisions over the relevant activities of each require unanimous consent of shareholders. Millicom determines the existence of joint control by reference to joint venture agreements, articles of association, structures and voting protocols of the Board of Directors of those ventures.

Our main joint ventures are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Latin America				
Comunicaciones Celulares S.A.	Guatemala	Mobile, MFS	**55**	55
Navega.com S.A.	Guatemala	Cable, DTH	**55**	55
Telefonica Celular S.A.	Honduras	Mobile, MFS	**66.7**	66.7
Navega S.A. de CV	Honduras	Cable, MFS	**66.7**	66.7

The carrying values of Millicom's investments in joint ventures was as follows:

Carrying value of investments in joint ventures at 31 December (US$ millions)	%	2016	2015
Honduras operations[(i)]	66.7	**766**	983
Guatemala operations[(i)]	55	**2,179**	2,237
Total		**2,945**	3,220

(i) Includes all the companies under the Honduras and Guatemala groups.

The table below summarizes the movements for the year in respect of the Group's joint ventures carrying values:

	2016	
US$ millions	Guatemala	Honduras
Opening balance at 1 January 2016	**2,237**	**983**
Results for the year	**106**	**9**
Dividends declared during the year	**(166)**	**(178)**
Currency exchange differences	**2**	**(48)**
Closing balance at 31 December 2016	**2,179**	**766**

At 31 December 2016 and 2015 the Group had not incurred obligations, nor made payments on behalf of Guatemala or Honduras operations.

A.2.1. Accounting for joint ventures

Joint ventures are accounted for using the equity method of accounting and are initially recognized at cost (i.e. fair value at the time of deconsolidation for investments in Honduras and Guatemala). The Group's investments in joint ventures include goodwill (net of any accumulated impairment loss) on acquisition.

The Group's share of post-acquisition profits or losses of joint ventures is recognized in the consolidated income statement under "Income from joint ventures, net" and its share of post-acquisition movements in reserves is recognized in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the joint ventures.

Gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in joint ventures are recognized in the income statement.

After application of the equity method, including recognizing the joint venture's losses, the Group applies IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to its net investment in the joint venture.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation

Effective 1 July 2010 (Honduras) and 1 January 2014 (Guatemala), Millicom reached agreements with its respective local partners whereby the local partners granted Millicom an unconditional call option for a duration of five years (Honduras) and two years (Guatemala) for their respective stakes in its Honduras and Guatemala operations. At the same time, and as a consideration for the call options, Millicom granted put options for the same duration to its local partners. The put options were exercisable on a change of control of Millicom International Cellular S.A., or Millicom's subsidiaries that hold the shares in the Honduras and Guatemala operations.

On 19 June 2015 Millicom reached an agreement with its local partner to extend Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business until 31 December 2015 and in return extended the local partners conditional put option over the 33.3% stake. All other terms and conditions of the put and call options remained unchanged.

Millicom's five year unconditional call option to acquire the remaining 33.3% of the Honduran business, as extended by six months from 1 July 2015 expired unexercised on 31 December 2015, and accordingly the Honduran business was deconsolidated from 31 December 2015.

Similarly, Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired unexercised on 31 December 2015 and, accordingly, the Guatemala business was deconsolidated from 31 December 2015.

At the same time, the conditional put options Millicom provided to the other shareholders also lapsed.

As a consequence, on 31 December 2015, Millicom deconsolidated its investments in Honduras and Guatemala operations and accounted for them under the equity method, initially at fair value of respectively US$2.2 billion for Guatemala and US$1.0 billion for Honduras, resulting in a loss on the deconsolidation of these businesses amounting to US$391 million, including recycling of foreign currency exchange losses accumulated in equity of US$192 million, which was recorded under "Other non-operating income (expenses), net". The fair values of Honduras and Guatemala operations were determined based on a discounted cash flow calculation.

As from 31 December 2015 onwards, Millicom therefore jointly controls the Honduras and Guatemala operations and accounts for its investments in these operations under the equity method and reports its share of the net income of each of these businesses in the income statement in the caption "Income (loss) from joint ventures, net" since 1 January 2016.

Lapse of the put options for both operations resulted in the extinguishment of both put option liabilities amounting to US$2,135 million on 31 December 2015. The carrying values of both liabilities have been settled against the put option reserve within equity for US$2,512 million (amount recognized at inception) and against retained profits for the residual difference of US$(377) million as of 31 December 2015.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

Summarized financial information for the years ended 31 December 2016 and 2015 of the Guatemala and Honduras operations is as follows. This information is based on amounts before inter-company eliminations.

Guatemala(i) (US$ millions)	2016	2015
Revenue	**1,284**	1,306
Cost of sales (ii)	**(252)**	(258)
Gross profit	**1,033**	1,048
Operating expenses	**(401)**	(396)
Depreciation and amortization	**(281)**	(232)
Other operating income (expenses), net (iii)	**(21)**	(1)
Operating profit	**330**	419
Financial income (expenses), net	**(73)**	(64)
Other non-operating income (expenses), net	**4**	—
Profit before taxes	**261**	355
Charge for taxes, net	**(67)**	(77)
Profit for the year	**194**	278
Net profit for the year attributable to Millicom	**106**	130
45% non-controlling interest in net profit	—	(125)
Consolidation adjustments	—	(23)
Non-controlling interest in net profit for Guatemala	—	(148)
Dividends and advances paid to Millicom	**77**	216
Total assets (excluding goodwill)	**3,077**	2,937
Total liabilities	**1,251**	1,289
Net assets	**1,826**	1,648
Net cash from operating activities	**438**	525
Net cash from (used in) investing activities	**(236)**	(658)
Net cash from (used in) financing activities	**(65)**	195
Exchange impact on cash and cash equivalents, net	**(3)**	1
Net increase in cash and cash equivalents	**134**	63

(i) Includes all operations under the combined Guatemala group.
(ii) Include a provision for impairment of $24 million (2015: $18 million) related to the video surveillance contracts with the Civil National Police. No revenue has been recognised from the contracts from 1 July 2016.
(iii) Include an impairment of $18 million on the fixed assets bought in the context of the video surveillance contracts.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

Honduras[i] (US$ millions)	2016	2015
Revenue	**609**	649
Cost of sales	**(142)**	(159)
Gross profit	**467**	490
Operating expenses	**(249)**	(207)
Depreciation and amortization	**(160)**	(124)
Other operating income (expenses), net	**(3)**	—
Operating profit	**54**	159
Financial income (expenses), net	**(27)**	(22)
Other non-operating income (expenses), net	**(14)**	(45)
Profit before taxes	**13**	92
Charge for taxes, net	—	(51)
Profit for the year	**13**	41
Net profit for the year attributable to Millicom	**9**	21
33.33% non-controlling interest in net profit	—	(14)
Consolidation adjustments	—	(6)
Non-controlling interest in net profit for Honduras	—	(20)
Dividends and advances paid to Millicom	**66**	42
Total assets (excluding goodwill)	**902**	950
Total liabilities	**691**	625
Net assets	**210**	325
Net cash from operating activities	**85**	175
Net cash from (used in) investing activities	**(17)**	(180)
Net cash from (used in) financing activities	**(69)**	6
Net (decrease) increase in cash and cash equivalents	**(1)**	1

(i) Includes all operations under the combined Honduras group.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

The Group's key results and cash flows, excluding Guatemala and Honduras entities, would have been as follows for the year ended 31 December 2015:

Summary Group income statement, financial position and cash flows with Guatemala and Honduras operations as joint ventures (US$ millions)	2016	2015
Revenue	**4,374**	4,616
Cost of sales	**(1,279)**	(1,376)
Gross profit	**3,096**	3,241
Operating expenses	**(1,781)**	(1,987)
Depreciation and amortization	**(928)**	(926)
Other operating expenses	**(20)**	(63)
Share of net profit in Guatemala and Honduras operations	**115**	151
Operating profit	**482**	416
Net financial expense	**(372)**	(318)
Other non-operating income (expenses), net	**10**	(578)
(Loss) income from joint ventures and associates, net	**(49)**	100
Profit (loss) before taxes	**71**	(379)
Charge for taxes, net	**(180)**	(150)
Loss for the year	**(109)**	(529)
Profit (loss) for the year from discontinued operations, net of tax	**19**	(83)
Non-controlling interests	**58**	53
Net profit (loss) for the year attributable to Millicom	**(32)**	(559)
Total assets	**9,627**	10,395
Total liabilities	**6,258**	6,667
Net assets	**3,368**	3,728
Net cash from operating activities	**878**	951
Net cash from (used in) investing activities	**(552)**	(406)
Net cash from (used in) financing activities	**(441)**	(285)
Exchange impact on cash and cash equivalents, net	**(8)**	(82)
Net (decrease) increase in cash and cash equivalents	**(123)**	178

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.2. Honduras and Guatemala operations deconsolidation – continued

The assets and liabilities of the Guatemala and Honduras operations on 31 December 2016 and 2015 are as follows:

Summary statements of financial position of Guatemala and Honduras operations (US$ millions)	2016		2015	
	Guatemala	**Honduras**	Guatemala	Honduras
Assets				
Intangible assets, net (excluding goodwill)	**1,440**	**213**	1,253	204
Property, plant and equipment, net	**717**	**429**	710	320
Other non-current assets	**2**	**1**	2	1
Deferred taxes	**8**	**—**	4	—
Inventories	**14**	**6**	22	10
Trade receivables	**56**	**37**	58	35
Prepayments	**32**	**6**	37	7
Amounts due from related parties	**466**	**184**	639	351
Supplier advances	**24**	**—**	31	1
Other current assets	**24**	**4**	22	8
Restricted cash	**4**	**7**	4	—
Cash and cash equivalents	**289**	**13**	155	13
Total assets	**3,077**	**902**	2,937	950
Liabilities				
Debt and financing	**988**	**402**	984	391
Deferred tax liabilities	**4**	**98**	2	60
Other non-current liabilities	**48**	**18**	26	11
Payables and accruals for capital expenditure	**55**	**35**	66	23
Other trade payables	**12**	**12**	40	10
Amounts due to related parties	**12**	**7**	20	11
Other current provisions and liabilities	**132**	**120**	150	119
Total liabilities	**1,251**	**691**	1,289	625
Net assets	**1,826**	**210**	1,648	325

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.2.3. Purchase price allocation for Honduras and Guatemala

In 2016, the Group had completed the purchase price allocations for both the Guatemala and Honduras operations as of 31 December 2015, the date of recognition of the Group's investment in both operations as joint ventures. For the purchase accounting, Millicom determined the fair values of these operations based on discounted cash flows.

Guatemala – 31 December 2015 (US$ millions)	Carrying values 55%	Fair Values 55%	Change
Intangible assets (excluding goodwill), net(i)	689	905	216
Property, plant and equipment, net(ii)	390	409	19
Other non-current assets	3	3	—
Current assets (excluding cash)	446	446	—
Cash and cash equivalents	87	87	—
Total assets	**1,615**	**1,850**	**235**
Non-current financial liabilities	557	560	3
Current liabilities	152	152	—
Total liabilities	**709**	**712**	**3**
Carrying value/fair value of assets and liabilities, net	**906**	**1,137**	**231**
Fair value of the Group's investment in joint venture	—	2,237	—
Goodwill	**—**	**1,100**	**—**

(i) Intangible assets increase mainly consists of step-up recognized on the trademark for an amount of US$71 million, with indefinite useful life and the customer lists for an amount of US$148 million, with estimated remaining useful life of seven years.
(ii) Certain network and civil works assets were adjusted to their fair value for an amount of US$19 million.

Honduras – 31 December 2015 (US$ millions)	Carrying values 66.7%	Fair Values 66.7%	Change
Intangible assets (excluding goodwill), net(i)	136	200	64
Property, plant and equipment, net(ii)	213	307	94
Other non-current assets	1	1	—
Current assets (excluding cash)	274	274	—
Cash and cash equivalents	9	9	—
Total assets	**633**	**791**	**158**
Non-current financial liabilities	308	358	51
Current liabilities	109	109	—
Total liabilities	**417**	**467**	**51**
Carrying value/fair value of assets and liabilities, net	**216**	**324**	**107**
Fair value of the Group's investment in joint venture	—	983	—
Goodwill	**—**	**660**	**—**

(i) Intangible assets increase mainly consists of step-up recognized on the customer lists for an amount of US$64 million, with estimated remaining useful life between two and ten years.
(ii) Certain property, plant and equipment assets were adjusted to their fair value for an amount of US$94 million.

For the year ended 31 December 2016, the additional amortization related to the assets recognized as part of the purchase price allocation exercise (net of tax) amounted to US$22 million for Guatemala and US$19 million for Honduras, at Millicom's equity stake of which is recorded under the caption "Income from joint ventures, net".

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

A.2.4. Impairment of investment in joint ventures
While no impairment indicators were identified for the Group's investments in joint ventures in 2016, according to its policy, Management have completed an impairment test for its joint ventures in Guatemala and Honduras.

The impairment test in respect of the Group's investments in joint ventures (both equity and loans) is conducted on the same basis as for goodwill impairment test (see note E.1.6.). Group's investments in Guatemala and Honduras operations were tested for impairment by assessing their recoverable amount (using a value in use model based on discounted cash flows) against their carrying amounts. The cash flow projections used were extracted from financial budgets approved by Management and the Board covering a period of five years or more. Cash flows beyond this period have been extrapolated using a perpetual growth rate of 1.0%–2.0%. Discount rates used in determining recoverable amounts were 8.3% and 9.9%, respectively.

For the year ended 31 December 2016, and as a result of the impairment testing described above, Management concluded that none of the Group's investments in joint ventures should be impaired.

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing.

A.3. Investments in associates
Millicom's investments in associates mainly represent its shareholding in Helios Towers Africa Ltd (HTA) and its investments in the African and Latin American online businesses (AIH and LIH). Millicom has significant influence over these companies but not control or joint control.

Our main associates are as follows:

Entity	Country	Activity(ies)	31 December 2016 % holding	31 December 2015 % holding
Africa				
Helios Towers Africa Ltd (HTA)(i)	Mauritius	Holding of Tower infrastructure company	**22.83**	28.25
Africa Internet Holding GmbH (AIH)(ii)	Germany	Online marketplace, retail and services	**10.15**	33.33
West Indian Ocean Cable Company Limited ("WIOCC")(iii)	Republic of Mauritius	Telecommunication carriers' carrier	**9.1**	9.1
Latin America				
MKC Brilliant Holding GmbH (LIH)	Germany	Online marketplace, retail and services	**35.0**	35.0
Unallocated				
Milvik AB	Sweden	Other	**26.75**	26.75

(i) On 7 October 2015, Millicom and HTA signed an agreement whereby Millicom owns 28.25% of shares in HTA (24.4% on a fully diluted basis) following a shareholding exchange. As a result, shares held by Millicom in HTA's tower companies in Ghana, DRC and Tanzania have been exchanged for shares in HTA (see note A.3.2.).
(ii) During 2015, Millicom ceased to jointly control AIH following changes in AIH shareholder rights. Hence AIH has been considered as an investment in associate as from 31 December 2015.
(iii) WIOCC was acquired as part of Zantel acquisition (see section A.1.2).

At 31 December 2016 the carrying value of Millicom's main associates was as follows:

Carrying value of investments in associates at 31 December (US$ millions)	2016	2015
MKC Brilliant Holding GmbH (LIH)	**55**	99
African Internet Holding GmbH (AIH)	**64**	36
Helios Tower Africa Ltd (HTA)	**189**	215
Milvik AB	**9**	12
West Indian Ocean Cable Company Limited (WIOCC)	**14**	13
Total	**331**	376

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.3. Investments in associates – continued

The summarized financial information for the Group's main material associates is provided below.

Summary of statement of financial position of associates at 31 December (US$ millions)	2016	2015
Total current assets	**458**	400
Total non-current assets	**938**	1,427
Total assets	**1,395**	1,827
Total current liabilities	**585**	252
Total non-current liabilities	**335**	530
Total liabilities	**920**	782
Total net assets	**475**	1,045
Millicom's carrying value of its investment in associates	**331**	376

Share of net profit (loss) from associates (US$ millions)	2016	2015
Revenue	**463**	237
Operating expenses	**(329)**	(420)
Operating profit (loss)	**(172)**	(183)
Net profit (loss) for the year/investment period	**(257)**	(143)
Millicom's share of results from associates	**(49)**	(47)

A.3.1. Accounting for investments in associates

The Group accounts for associates in the same way as it accounts for joint ventures.

A.3.2. Acquisitions and disposals of interests in associates

Africa Internet Holding GmbH (AIH)

AIH indirectly owns a number of companies that provide online services and online marketplaces in certain countries in Africa mainly under the brand name of Jumia.

Changes in ownership and accounting for AIH

Various shareholder funding rounds were signed in late 2015 and in 2016. Millicom did not participate and therefore maintained its initial investment at EUR70 million. In addition, during June 2016, there was a capital restructuring whereby all investors rolled up into AIH. During 2016, these transactions have all been duly executed and as a result Millicom's shareholding in AIH has been reduced to 10%. This has triggered the recognition of a net dilution gain of US$43 million in the Group income statement under "Income (loss) from associates, net".

Additionally, following the changes in AIH governance which took place in 2015 and as foreseen in the shareholders' agreement, Millicom lost its joint control but retains a significant influence over AIH – Millicom keeps one Board representative who will continue to participate in the decision making process of AIH. Therefore, at 31 December 2015 and 2016, the investment in AIH is accounted for as an associate using the equity method of accounting.

Millicom investment in African towers company, Helios Towers Africa

On 7 October 2015, Millicom and Helios Towers Africa ("HTA") signed an agreement whereby Millicom owns 28.2% of shares in HTA (24% on a fully diluted basis) following a shareholding exchange.

Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains significant influence over HTA.

This transaction simplified the share ownership structure of HTA, aligned interest among shareholders and moved Millicom's shareholding to the parent company of HTA. The exchange of shares, which has commercial substance in accordance with IAS 28 and IAS 16, has resulted in the Group recognizing its investment in HTA at fair value and hence a gain on disposal of its investments in the different tower companies of US$147 million under "Income (loss) from joint ventures and associates, net".

During 2016, Millicom's shareholding has been diluted from 28.2% to 22.8% as a result of previous committed cash calls and new investors' funding. This has resulted in Millicom recognizing a gain on dilution of US$16 million. The gain has been recorded in the Group income statement under "Income (loss) from associates, net".

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

A.3.2. Acquisitions and disposals of interests in associates – continued

Latin America Internet Holding GmbH (LIH)

During 2015, LIH contributed its investments in its operating subsidiaries Kanui and Tricae to Global Fashion Group in a share for share transaction, recognizing a net gain of US$11 million (Millicom's share). Global Fashion Group is partly owned by Rocket Internet and Kinnevik. LIH's shareholding in Global Fashion Group was determined from the relative value of Kanui and Tricae and the post-merger value of Global Fashion Group.

During March 2015, LIH disposed of its interest in HelloFood and LIH declared a US$6 million dividend to Millicom, which had been received by 31 December 2015.

During 2016, Millicom's 35% investment in LIH has been impaired by US$40 million mainly as a result of the drop in fair value of LIH's investment in the Global Fashion Group.

A.4. Discontinued operations

A.4.1. Classification of discontinued operations

Discontinued operations are those which have identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic area which has been disposed of, or are held for sale. Revenue and expenses associated with discontinued operations are presented retrospectively in a separate line in the consolidated income statement. Millicom considers that the loss of path to control of operations by the termination of a contractual arrangement (e.g. termination without exercise of an unconditional call option agreement giving path to control) does not require presentation as a discontinued operation.

A.4.2. Millicom's discontinued operations

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. For further details, refer to note E.3.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B. Performance

B.1. Revenue

Millicom's revenue comprises sale of services from its mobile, cable & digital media, and Mobile Financial Services businesses, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, TV services, B2B contracts, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services.

Revenue from continuing operations by business unit

(US$ millions)	**2016**	2015
Mobile	**2,505**	4,226
Cable & Digital Media	**1,398**	1,582
Mobile Financial Services	**129**	123
Telephone and equipment and other	**342**	641
Total	**4,374**	6,572

Revenue from continuing operations by country or operation

(US$ millions)	**2016**	2015
Colombia	**1,717**	1,982
Guatemala	**—**	1,306
Paraguay	**623**	673
Honduras	**—**	649
Bolivia	**542**	531
El Salvador	**425**	448
Tanzania	**347**	358
Chad	**166**	152
Costa Rica	**152**	151
Ghana	**142**	135
Other countries(i)	**260**	187
Total	**4,374**	6,572

(i) Including Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.1.1. Accounting for revenue

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of good and services, net of value added tax, rebates and discounts and after eliminating intra-group sales. Generally, this is the value of the invoice to the customer.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Generally, this occurs when the service has been provided to the customer, or when the related equipment is delivered or passed to the customer.

Recurring revenue is recognized on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime and data usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription product and service revenue is deferred and recognized over subscription period. Related costs are deferred and recognized over the same period.

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 deferred revenue within "other current liabilities".

Revenue from the sale of handsets and accessories are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Bundled offers such as various services sold together, are divided into separate units of accounting if the products and services in the bundle meet certain criteria. The price paid by the customer is then allocated among the separate products and services based on their relative fair values or using the residual method. Revenue is then recognized separately for each product and service.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.1.1. Accounting for revenue – continued

Revenue from content services such as video messaging, ringtones, games, music, eBooks etc., are recognized net of payments to the content providers under certain conditions. These include whether the providers are responsible for the content, determining the price paid by the customer, and where the provider assumes the credit risk. For such services the Group is considered to be acting in substance as an agent. Other revenue is recognized on a gross basis with any third party costs recognized as cost of sales and services.

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

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 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.

B.2. Expenses

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales (US$ millions)	2016	2015(i)
Direct costs of services sold	**(953)**	(1,153)
Cost of telephone, equipment and other accessories	**(261)**	(501)
Bad debt and obsolescence costs	**(65)**	(139)
Cost of sales	**(1,279)**	(1,793)

Operating expenses, net (US$ millions)	2016	2015(i)
Marketing expenses	**(528)**	(802)
Network maintenance costs	**(231)**	(334)
Employee related costs (B.4.)	**(483)**	(634)
External and other services	**(232)**	(335)
Rentals and operating leases	**(135)**	(191)
Other operating expenses	**(217)**	(299)
Other operating income	**45**	5
Operating expenses, net	**(1,781)**	(2,590)

(i) Included Zantel from 22 October 2015 to 31 December 2015 and DRC re-presented as discontinued operations.

B.2.1. Accounting for cost of sales and operating expenses

Cost of sales

Cost of sales is recorded on an accrual basis.

Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to marketing expenses when the customer is activated.

Operating leases

Operating leases are all leases that do not qualify as finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.3. Segmental information

Management determines operating and reportable segments based on the reports that are used by the Chief Operating Decision Maker ("CODM") to make strategic and operational decisions from both a business and geographic perspective. The Group's risks and rates of return for its operations are predominantly affected by operating in different geographical regions. The Group has businesses in two main regions: Latin America and Africa (2015: three regions: Central and South America and Africa). In 2015, the Group reviewed the presentation of the segment information and introduced EBITDA as a key performance indicator reviewed by the CODM.

The deconsolidation of Honduras and Guatemala (note A.2.2.), did not impact our internal reporting for management purposes and therefore Honduras and Guatemala are still shown as fully consolidated in the Group's segmental reporting.

Year ended 31 December 2016 (US$ millions)	Latin America	Africa	Unallo-cated	Total (a)	Guatemala and Honduras[v] (b)	Eliminations and transfers (c)	Subtotal (a)+(b)+(c)	Disc ops[vi]	Total
Revenue	**5,352**	**896**	**—**	**6,249**	**(1,875)**	**—**	**4,374**	**40**	**4,414**
Operating profit (loss)	**848**	**62**	**(150)**	**761**	**(394)**	**115**	**482**	**2**	**484**
Add back:									
Depreciation and amortization	**1,173**	**188**	**7**	**1,368**	**(440)**	**—**	**928**	**3**	**931**
Income (loss) from joint ventures, net	**—**	**—**	**—**	**—**	**—**	**(115)**	**(115)**	**—**	**(115)**
Other operating income (expenses), net	**42**	**7**	**(6)**	**43**	**(24)**	**—**	**20**	**—**	**20**
EBITDA[i]	**2,063**	**258**	**(148)**	**2,172**	**(858)**	**—**	**1,314**	**5**	**1,319**
Capital expenditure[ii]	**(886)**	**(159)**	**(6)**	**(1,051)**					
Changes in working capital and others	**37**	**(5)**	**(33)**	**(1)**					
Taxes paid	**(233)**	**(17)**	**(9)**	**(259)**					
Operating Free Cash Flow[iii]	**981**	**77**	**(197)**	**861**					
Total Assets[iv]	**10,386**	**1,406**	**1,357**	**11,883**	**(5,589)**	**3,332**	**9,627**		
Total Liabilities	**5,229**	**1,852**	**1,997**	**7,812**	**(1,942)**	**388**	**6,258**		

Year ended 31 December 2015 (US$ millions)	Latin America	Africa	Unallo-cated	Total	Elimina-tions	Disc ops[vi]	Total
Revenue	5,740	829	3	6,572	—	158	6,730
Operating profit (loss)	1,109	(61)	(205)	843	—	(53)	791
Add back:							
Depreciation and amortization	1,087	190	4	1,281	—	40	1,321
Other operating income (expenses), net	7	54	3	64	—	2	66
EBITDA[i]	**2,204**	**184**	**(199)**	**2,188**	**—**	**(10)**	**2,178**
Capital expenditure[ii]	(950)	(181)	8	(1,123)			
Changes in working capital and others	18	(16)	77	79			
Taxes paid	(230)	(16)	(6)	(252)			
Operating Free Cash Flow[iii]	**1,041**	**(30)**	**(119)**	**892**			
Total Assets[iv]	10,566	1,979	2,044	14,589	(4,226)	—	10,398
Total Liabilities	5,128	2,279	2,769	10,176	(3,504)	—	6,670

(i) EBITDA is used by the management to monitor the segmental performance and for capital management. EBITDA is defined in the front section of the Annual Report.
(ii) Cash spent for capital expenditure excluding spectrum and licenses of US$39 million (2015: US$47 million).
(iii) Operating free cash flow by segment includes share-based compensation as a cash transaction.
(iv) Segment assets include goodwill and other intangible assets.
(v) Including eliminations for Guatemala and Honduras as reported in the Latin America segment.
(vi) See note E.3.2. DRC operations were part of the Africa segment.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4. People

Number of permanent employees	2016	2015
Continuing operations[i]	**13,962**	12,698
Guatemala and Honduras	**4,023**	3,093
Discontinued operations	**—**	165
Total	**17,985**	15,956

(i) Including Tigo Nicaragua. Emtelco headcount are excluded from this report and any internal reporting because their costs are classified as direct costs and not employee related costs.

(US$ millions)	Note	2016	2015[i]
Wages and salaries		**(314)**	(461)
Social security		**(70)**	(66)
Share based compensation	B.4.1.	**(14)**	(19)
Pension and other long-term benefit costs	B.4.3.	**(6)**	(20)
Other employee related costs		**(79)**	(67)
Total		**(483)**	(634)

(i) Including costs for the year for Guatemala and Honduras

B.4.1. Share based compensation

Millicom shares granted to management and key employee compensation includes share based compensation in the form of long-term share incentive plans. In 2015, Millicom issued four types of plans, a deferred share plan, a performance share plan, an executive share plan and the sign-on CEO share plan (which is a one-off plan). Up until 2015, Millicom had two types of plan, a future performance plan and a deferred share plan. Since 2016, Millicom has two types of plans, a performance share plan and a deferred share plan. The different plans are further detailed below.

Cost of share based compensation (US$ millions)	2016	2015
2013 incentive plans	**—**	2
2014 incentive plans	**(1)**	(6)
2015 incentive plans	**(3)**	(15)
2016 incentive plans	**(10)**	—
Total share based compensation	**(14)**	(19)

Deferred Share Plan (unchanged from 2014)

For the deferred awards plan, participants are granted shares based on past performance, with 16.5% of the shares vesting on 1 January of each of year one and two, and the remaining 67% on 1 January of year three. Vesting is conditional upon the participant remaining employed with Millicom at each vesting date. The cost of this long-term incentive plan, which is not conditional on performance conditions, is calculated as follows:

Fair value (share price) of Millicom's shares at grant date x number of shares expected to vest.

Future Performance Share plan (valid until 2014 and replaced by the Performance Share Plan as from 2015)

For the future performance plan, participants earn the right to receive shares on the third anniversary of the grant date. The right and the number of shares that vest are conditional 50% based on Return on Capital Investment (ROIC) and 50% based on EPS and upon the participant remaining employed with Millicom at the vesting date. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above. At 31 December 2016, the 2014 future performance plan is vested.

Sign-on CEO Share Plan (new in 2015 – one off)

As part of his employment contract Millicom CEO (from 1 April 2015) received a sign-on grant of 77,344 shares. Vesting is conditional, among other conditions, on the CEO not being dismissed for cause. The cost of this long-term incentive plan, which is not conditional on market conditions, is calculated in the same way as the deferred share plan above. The expense for this plan has been taken in full during 2015.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

B.4.1. Share based compensation – continued

Performance Share Plan (issued in 2015)

Under this plan, shares granted will vest at the end of the three-year period, subject to performance conditions, 62.5% based on Absolute Total Shareholder Return ("TSR") and 37.5% based on actual vs budgeted EBITDA – CAPEX – Change in Working Capital ("Free Cash Flow"). As the TSR measure is a market condition, the fair value of the shares in the performance share plan requires adjustment for future market based conditions at grant date.

For this, a specific valuation has been performed at grant date based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions.

The free cash flows ("FCF") condition is a non-market measure which has been considered together with the leaving estimate and based initially on a 100% fulfillment expectation. The reference share price for 2015 Performance Share Plan is the same share price as the share price as the Deferred Share Plan.

Executive Share Plan (new 2015)

Under this plan, shares were granted to the CEO and CFO based on an allocated holding of 3,333 (CEO) and 2,000 (CFO) shares for which vesting occurs based on three components at multipliers based on market conditions (a TSR for Component A and B) and performance conditions (on actual vs budgeted Free Cash Flow for Component C). The maximum number of shares that might vest under the plan is 26,664 (CEO) and 14,000 (CFO). Subject to the vesting criteria, shares under this plan will vest at the end of a three-year period.

Similarly to the Performance Share Plan, a specific valuation has been performed based on the probability of the TSR conditions being met (and to which extent) and the expected payout based upon leaving conditions. The FCF condition being a non-market measure, it has been considered together with the leaving estimate and based initially on a 100% fulfillment expectation. Therefore, the reference share price is the share price on the date that the CEO and the CFO agreed to the Executive Share Plan.

Performance Share Plan (issued in 2016)

Shares granted under this Performance Share Plan vest at the end of the three-year period, subject to performance conditions, 25% based on Positive Absolute Total Shareholder Return ("Absolute TSR"), 25% based on Relative Total Shareholder Return ("Relative TSR") and 50% based on budgeted Earnings Before Interest Tax Depreciation and Amortization ("EBITDA") minus Capital Expenditure (Capex) minus Change in Working Capital (CWC) ("Free Cash Flow").

This Performance Share Plan is measured similarly to the Performance Share Plan issued in 2015, see above.

For the Performance Share Plans and the Executive Share Plan, and in order to calculate the fair value of the TSR portion of those plans, it is necessary to make a number of assumptions which are set out below. The assumptions have been set based on an analysis of historical data as at grant date.

Assumptions and fair value of the shares under the TSR portion	**Risk-free rate %**	**Dividend yield %**	**Share price volatility[(i)] %**	**Award term (years)**	**Share fair value (in US$)**
Performance Share Plan 2016 (Relative TSR)	**(0.65)**	**3.49**	**30**	**2.61**	**43.35**
Performance Share Plan 2016 (Absolute TSR)	**(0.65)**	**3.49**	**30**	**2.61**	**45.94**
Performance Share Plan 2015	**(0.32)**	**2.78**	**23**	**2.57**	**32.87**
Executive Share Plan 2015 – Component A	**(0.32)**	**N/A**	**23**	**2.57**	**53.74**
Executive Share Plan 2015 – Component B	**(0.32)**	**N/A**	**23**	**2.57**	**29.53**

(i) Historical volatility retained was determined on the basis of a three-year historic average.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4.1. Share based compensation – continued

The cost of the long-term incentive plans which are conditional on market conditions is calculated as follows:

Fair value (market value) of shares at grant date (as calculated above) x number of shares expected to vest.

The cost of these plans is recognized, together with a corresponding increase in equity (share compensation reserve), over the period in which the performance and/or employment conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. Adjustments are made to the expense recorded for forfeitures, mainly due to management and employees leaving Millicom. Non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. These are treated as vested regardless of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Plan awards and shares expected to vest (number of shares)	**2016 Plans**		2015 Plans				2014 Plans		2013 Plans	
	Performance plan	**Deferred plan**	Performance plan	Executive plan	CEO plan	Deferred plan	Future plan	Deferred plan	Future plan	Deferred plan
Initial shares granted	**200,617**	**285,978**	98,137	40,664	77,344	237,620	164,015	219,767	173,586	208,979
Additional shares granted[(i)]	**—**	**1,338**	—	—	—	—	—	1,306	13,453	4,165
Total shares granted	**200,617**	**287,316**	98,137	40,664	77,344	237,620	164,015	221,073	187,039	213,144
Revision for forfeitures	**(10,331)**	**(26,222)**	(26,826)			(51,129)	(124,603)	(79,702)	(151,967)	(76,184)
Total before issuances	**190,286**	**261,094**	71,311	40,664	77,344	186,491	39,412	141,371	35,072	136,690
Shares issued in 2014	**—**	**—**	—	—	—	—	—	—	—	(31,977)
Shares issued in 2015	**—**	**—**	—	—	—	—	—	(32,555)	—	(25,889)
Shares issued in 2016	**(1,214)**	**(1,733)**	(771)		(25,781)	(38,745)	—	(25,508)	(35,072)	(79,094)
Performance conditions	**—**	**—**	—	—	—	—	—	—	—	—
Shares still expected to vest	**189,072**	**259,361**	70,540	40,664	51,563	147,746	39,412	83,308	n/a	n/a
Estimated cost over the vesting period (US$ millions)	**8**	**16**	4	2	6	15	5	16	n/a	n/a

(i) Additional shares granted include new joiners and/or consideration for the impact of special dividends paid in 2012.

B.4.2. Share options

Prior to 2006, Millicom granted options to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or director completing one to five years of service (the vesting period) and were exercisable starting from one year to five years from the grant date. Shares issued from exercise of share options have the same rights as common shares.

By 31 December 2015 all share options had been exercised. The cost of share options was recorded in the exercise periods (until and prior to 2011).

	2016		2015	
Movements in share options	**Average exercise price in US$ per share**	**Number of options**	Average exercise price in US$ per share	Number of options
Outstanding at beginning of the year	**—**	**—**	22.55	45,000
Expired or forfeited	**—**	**—**	—	—
Exercised	**—**	**—**		(45,000)
Outstanding and exercisable at end of year	**—**	**—**	—	—

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4.3. Pension and other long term employee benefit plans

Pension Plans

The pension plans apply to employees who meet certain criteria (including years of service, age and participation in collective agreements).

Pension and other similar employee related obligations can result from either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. No further payment obligations exist once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using an appropriate discount rate based on maturities of the related pension liability.

Re-measurement of net defined benefit liabilities are recognized in other comprehensive income and not reclassified to the income statement in subsequent years.

Past service costs are recognized in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit asset/liability.

Long-Service Plans

Long-service plans apply to employees with more than five years of service whereby additional bonuses are paid to employees that reach each incremental length of service milestone (from five to 40 years).

Termination Plans

The Group's Colombian subsidiary UNE has a number of employee defined benefit plans. The level of benefits provided under the plans depends on collective employment agreements and Colombian labor regulations. There are no defined assets related to the plans, and UNE make payments to settle obligations under the plans out of available cash balances.

At 31 December 2016, the defined benefit obligation liability amounted to US$37 million (2015: US$37 million) and payments expected in the plans in future years totals US$86 million (2015: US$92 million). The average duration of the defined benefit obligation at 31 December 2016 is seven years (2015: eight years). The termination plans apply to employees that joined UNE prior to 30 December 1996. The level of payments depends on the number of years in which the employee has worked before retirement or termination of their contract with UNE.

Except for the UNE pension plan described above, there are no other significant defined benefits plans in the Group.

B.4.4. Directors' and Executive Management

The remuneration of the members of the Board of Directors comprises an annual fee and shares. Director remuneration is proposed by the Nomination Committee and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

Remuneration charge for the Board (gross of withholding tax) (US$ '000)	**2016**	2015
Chairperson	**243**	180
Other members of the Board(i)	**900**	878
Total(ii)	**1,143**	1,058

(i) In addition, in 2015, US$62,700 (EUR 57,000) was paid to three directors for their work on the special committee.
(ii) Cash compensation converted from SEK to USD at exchange rates on payments dates each year. Share based compensation based on the market value of Millicom shares on the 2016 AGM date (in total 8,002 shares). Net remuneration comprised 50% in shares and 50% in cash (SEK) (2015: 38% in shares and 62% in cash).

Shares beneficially owned by the Directors (number of shares)	**2016**	2015
Chairperson	**3,000**	80,645
Other members of the Board	**24,316**	17,013
Total	**27,316**	97,658

The remuneration of executive management of Millicom comprises an annual base salary, an annual bonus, share based compensation, social security contributions, pension contributions and other benefits. Bonus and share based compensation plans (see note B.4.1.) are based on actual and future performance. Share based compensation is granted once a year by the Compensation Committee of the Board.

If the employment of Millicom's senior executives is terminated, severance of up to 12 months' salary is potentially payable.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.4.4. Directors' and Executive Management – continued

The annual base salary and other benefits of the Chief Executive Officer ("CEO") and the Executive Vice Presidents ("Executive Team") is proposed by the Compensation Committee and approved by the Board.

Remuneration charge for the Executive Team (US$ '000)	CEO	CFO	Executive Team (9 members)
2016			
Base salary	**1,000**	**599**	**3,797**
Bonus	**660**	**450**	**1,411**
Pension	**150**	**82**	**513**
Other benefits	**48**	**18**	**720**
Termination benefits	**—**	**—**	**—**
Total before share based compensation	**1,858**	**1,149**	**6,441**
Share based compensation(i)(ii) in respect of 2016 LTIP	**2,660**	**1,481**	**4,031**
Total	**4,518**	**2,630**	**10,472**

Remuneration charge for the Executive Team (US$ '000)	CEO	Former CEO	CFO	Executive Team (10 members)
2015				
Base salary	750	304	989	3,721
Bonus	1,006	—	1,206	1,870
Pension	113	—	95	671
Other benefits	11	—	14	1,085
Termination benefits	—	2,854	—	682
Total before share based compensation	1,880	3,158	2,304	8,029
Share based compensation(i)(ii) in respect of 2015 LTIP	7,501	—	1,051	3,823
Total	9,381	3,158	3,355	11,852

(i) See note B.4.1.
(ii) Share awards of 49,171 and 104,573 were granted in 2016 under the 2016 LTIPs to the CEO, and Executive Team (2015: 104,800 and 64,930, respectively).

Shares and unvested share awards beneficially owned by the Executive Team (number of shares)	CEO	Executive Team	Total
2016			
Shares	27,020	34,472	61,492
Share awards not vested	114,739	173,399	288,138
2015			
Shares	—	11,714	11,714
Share awards not vested	104,008	82,823	186,831

B.5. Other non-operating (expenses) income, net

Non-operating items mainly comprise changes in values of options, derivatives and the impact of foreign exchange fluctuations on results of the Group.

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Change in carrying value / lapse of put options (see note C.6.3.)	—	125
Change in carrying value / lapse of call options (see note C.6.3.)	—	(71)
Change in fair value of derivatives (see note D.1.2.)	**3**	32
Exchange gain (loss), net	**16**	(304)
Loss on deconsolidation of Honduras and Guatemala, including recycling of foreign currency exchange losses accumulated in equity (see note A.2.2.)	—	(391)
Other non-operating income (expenses), net	**(8)**	(15)
Total	**10**	(624)

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

B.5. Other non-operating (expenses) income, net – continued
Foreign exchange gains and losses
Transactions denominated in a currency other than the functional currency are translated into the functional currency using exchange rates prevailing on transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and on translation of monetary assets and liabilities denominated in currencies other than the functional currency at year-end exchange rates, are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

B.6. Taxation
B.6.1. Income tax expense
Tax mainly comprises income taxes of subsidiaries and withholding taxes on intragroup dividends and royalties for use of Millicom trademarks and brands. Millicom operations are in jurisdictions with income tax rates of 10% to 40% levied on either revenue or profit before income tax (2015: 10% to 40%). Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement.

Income tax charge (US$ millions)	2016	2015
Income tax (charge) credit		
Withholding tax	**(44)**	(76)
Other income tax relating to the current year	**(73)**	(201)
	(117)	(277)
Adjustments in respect of prior years	**(27)**	6
	(144)	(271)
Deferred tax (charge) credit		
Origination and reversal of temporary differences	**53**	142
Effect of change in tax rates	**1**	(14)
	54	128
(Increase) decrease in unrecognized deferred tax assets	**(97)**	(126)
	(43)	2
Adjustments in respect of prior years	**7**	(9)
	(36)	(7)
Tax (charge) credit on continuing operations	**(180)**	(278)
Tax (charge) credit on discontinuing operations	**6**	(13)
Total tax (charge) credit	**(174)**	(291)

Reconciliation between the tax expense and tax at the weighted average statutory tax rate is as follows:

Income tax calculation (US$ millions)	2016 Continuing operations	2016 Discont'd operations	2016 Total	2015 Continuing operations	2015 Discont'd operations	2015 Total
Profit before tax	**71**	**13**	**84**	(83)	(70)	(153)
Tax at the weighted average statutory rate	**19**	**(4)**	**15**	62	24	86
Effect of:						
Items taxed at a different rate	**14**	—	**14**	21	—	21
Change in tax rates on deferred tax balances	**1**	—	**1**	(15)	—	(15)
Expenditure not deductible and income not taxable	**(66)**	**9**	**(57)**	(234)	(7)	(241)
Unrelieved withholding tax	**(44)**	—	**(44)**	(76)	—	(76)
Accounting for associates and joint ventures	**29**	—	**29**	23	—	23
Movement in deferred tax on unremitted earnings	**(16)**	—	**(16)**	7	—	7
Unrecognized deferred tax assets	**(115)**	**(5)**	**(120)**	(127)	(30)	(157)
Recognition of previously unrecognized deferred tax assets	**18**	—	**18**	64	—	64
Adjustments in respect of prior years	**(20)**	**6**	**(14)**	(3)	—	(3)
Total tax (charge) credit	**(180)**	**6**	**(174)**	(278)	(13)	(291)
Weighted average statutory tax rate	**26.8%**		**17.9%**	74.7%		56.2%
Effective tax rate	**253.5%**		**207.1%**	334.9%		190.2%

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.6.2. Current tax assets and liabilities

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

B.6.3. Deferred tax

Deferred tax is calculated using the liability method on 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 tax assets are recognized for all temporary differences including unused tax credits and tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 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 them. Unrecognized deferred 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 asset to be recovered.

Deferred 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. 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.

Deferred tax (US$ millions)(i)	Fixed assets	Unused tax losses	Unremitted earnings	Other	Offset	Total
Balance at 1 January 2015	**(140)**	**153**	**(23)**	**120**		**110**
Acquisitions	—	—	—	—		—
Effect of deconsolidation	55	—	—	2		57
Adjustments to goodwill	(22)	22	—	—		—
(Charge)/credit to income statement	38	(45)	6	(6)		(7)
(Charge)/credit to other comprehensive income	—	—	—	—		—
Exchange differences	22	(21)	1	(24)		(22)
	(47)	109	(16)	92		138
Deferred tax assets	81	109	—	108	(110)	188
Deferred tax liabilities	(128)	—	(16)	(16)	110	(50)
Balance at 31 December 2015	**(47)**	**109**	**(16)**	**92**	**—**	**138**
Acquisitions	—	—	—	—		—
Transfers to Assets Held for Sale	(1)	—	—	—		(1)
(Charge)/credit to income statement	24	3	(16)	(47)		(36)
(Charge)/credit to other comprehensive income	—	—	—	1		1
Exchange differences	1	1	—	5		7
	(23)	113	(32)	51		109
Deferred tax assets	84	113	—	65	(96)	166
Deferred tax liabilities	(107)	—	(32)	(14)	96	(57)
Balance at 31 December 2016	**(23)**	**113**	**(32)**	**51**	—	**109**

(i) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

B.6.3. Deferred tax – continued

The Group historically recognized a deferred tax asset of US$70 million on the tax losses of the Company. Based on re-assessment made during 2015, management concluded that the deferred tax asset can no longer be supported and it has been reversed late 2015. There is no cash tax impact and this treatment does not impact the availability of the tax losses in the future.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Deductible temporary differences (US$ millions)	Fixed assets	Unused tax losses	Other	Total
At 31 December 2016	**68**	**4,501**	**190**	**4,759**
At 31 December 2015	77	2,636	60	2,773

Unrecognized loss carryforwards expire as follows:

Unrecognized tax losses related to continuing operations (US$ millions)	2016	2015
Expiry:		
Within one year	**27**	152
Within one to five years	**493**	282
No expiry	**3,981**	2,202
Total	**4,501**	2,636

At 31 December 2016, Millicom had US$1,696 million of unremitted earnings of Millicom operating subsidiaries for which no deferred tax liabilities were recognized (2015: US$921 million). Except for intragroup dividends to be paid out of 2016 profits in 2017 for which deferred tax of US$32m has been provided, it is anticipated that intragroup dividends paid in future periods will be made out of profits of future periods.

B.7. Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of dilutive potential shares.

Net profit/(loss) used in the earnings per share computation (US$ millions)	2016	2015
Basic and diluted:		
Net profit/(loss) attributable to equity holders from continuing operations	**(51)**	(476)
Net profit/(loss) attributable to equity holders from discontinued operations	**19**	(83)
Net profit/(loss) attributable to all equity holders to determine the basic earnings per share	**(32)**	(559)

Weighted average number of shares in the earnings per share computation (thousands of shares)	2016	2015
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**100,337**	100,144
Potential incremental shares as a result of share options	**—**	10
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	**100,337**	100,154

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C. Capital structure and financing

C.1. Share capital, share premium and reserves

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases the Company's share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity holders until the shares are canceled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects is included in equity attributable to the Company's equity holders.

Share capital, share premium	2016	2015
Authorized and registered share capital (number of shares)	**133,333,200**	133,333,200
Subscribed and fully paid up share capital (number of shares)	**101,739,217**	101,739,217
Par value per share	**US$1.50**	US$1.50
Share capital (US$ millions)	**153**	153
Share premium (US$ millions)	**485**	486
Total (US$ millions)	**638**	639

Other equity reserves (US$ millions)	Legal reserve	Equity settled transaction reserve	Hedge reserve	Currency translation reserve	Pension obligation reserve	Total
As of 31 December 2014	16	44	2	(453)	1	(389)
Share based compensation	—	19	—	—	—	19
Issuance of shares – 2012, 2013, 2014 LTIPs	—	(18)	—	—	—	(18)
Remeasurements of post-employment benefit obligations	—	—	—	—	—	—
Cash flow hedge reserve movement	—	—	(3)	—	—	(3)
Effect of deconsolidation (see note A.2.2.)	—	—	—	192	—	192
Currency translation movement	—	—	—	(332)	—	(332)
As of 31 December 2015	16	46	(1)	(593)	1	(531)
Share based compensation	—	14	—	—	—	14
Issuance of shares – 2013, 2014, 2015 LTIPs	—	(17)	—	—	—	(17)
Remeasurements of post-employment benefit obligations	—	—	—	—	(2)	(2)
Cash flow hedge reserve movement	—	—	(3)	—	—	(3)
Currency translation movement	—	—	—	(23)	—	(23)
As of 31 December 2016	**16**	**43**	**(4)**	**(616)**	**(1)**	**(562)**

C.1.1. Legal reserve

If Millicom International Cellular S.A. reports an annual net profit on a non-consolidated basis, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution. No appropriation was required in 2015 or 2016 as the 10% minimum level was reached in 2011 and maintained each subsequent year.

C.1.2. Equity settled transaction reserve

The cost of share options and LTIPs is recognized as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When the options are exercised their cost is transferred from the equity-settled transaction reserve to share capital and share premium. When shares under the LTIPs vest and are issued the corresponding reserve is transferred to share premium.

C.1.3. Hedge reserve

The effective portions of changes in value of cash flow hedges are recorded in the hedge reserve (see note C.1.).

C.1.4. Currency translation reserve

In the financial statements, the relevant captions in the statements of financial position of subsidiaries without US dollar functional currencies are translated to US dollars using the closing exchange rate. Income statements or income statement captions (included those of joint ventures and associates) are translated to US dollars at monthly average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from these translations.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.2. Dividend distributions

On 17 May 2016 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2015 was approved by the shareholders at the Annual General Meeting and distributed in May 2016.

On 15 May 2015 a dividend distribution of US$2.64 per share from Millicom's retained profits at 31 December 2014 was approved by the shareholders at the Annual General Meeting and distributed in June 2015.

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations. At 31 December 2016, US$321 million (31 December 2015: US$384 million) of Millicom's retained profits represent statutory reserves that are unavailable to be distributed to owners of the Company.

C.3. Debt and financing

Debt and financing by type (US$ millions)	Note	2016	2015
Debt and financing due after more than one year			
Bonds	C.3.1.	**2,561**	2,630
Banks	C.3.2.	**940**	877
Finance leases	C.3.3.	**290**	327
Other financing		**95**	32
Total non-current financing		**3,886**	3,866
Less: portion payable within one year		**(65)**	(77)
Total non-current financing due after more than one year		**3,821**	3,789
Debt and financing due within one year			
Bonds	C.3.1.	**—**	46
Banks	C.3.2.	**—**	89
Finance leases	C.3.3.	**5**	9
Other financing		**10**	—
Total current debt and financing		**15**	144
Add: portion of non-current debt payable within one year		**65**	77
Total		**80**	221
Total debt and financing		**3,901**	4,010

Debt and financing by location (i) (US$ millions)	2016	2015
Millicom International Cellular S.A. (Luxembourg)	**1,747**	2,003
Colombia	**841**	660
Paraguay	**408**	412
Bolivia	**306**	253
Tanzania	**192**	214
Rwanda	**80**	131
Chad	**76**	109
Ghana	**54**	61
DRC	**—**	40
Senegal	**14**	17
Cable Central America	**92**	104
El Salvador	**89**	6
Total debt and financing	**3,901**	4,010

(i) No amounts appear in 2015 and 2016 for Guatemala and Honduras because of their deconsolidation.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3. Debt and financing – continued

Debt and financings are initially recognized at fair value, net of directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest rate method or at fair value. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the statement of financial position date.

C.3.1. Bond financing

Bond financing (US$ millions)	Note	Country	Maturity	Interest rate %	**2016**	2015
SEK Senior Unsecured Variable Rate Notes	(1)	Luxembourg	2017	STIBOR +3.5[(i)]	—	207
SEK Senior Unsecured Fixed Rate Notes	(1)	Luxembourg	2017	5.125	—	27
USD 4.75% Senior Notes	(2)	Luxembourg	2020	4.75	**333**	486
USD 6% Senior Notes	(3)	Luxembourg	2025	6	**495**	494
USD 6.625% Senior Notes	(4)	Luxembourg	2021	6.625	**652**	791
SEK Senior Unsecured Variable Rate Notes	(5)	Luxembourg	2019	STIBOR +3.3	**217**	—
USD 6.75% Senior Notes	(6)	Paraguay	2022	6.75	**296**	295
USD 6.875% Senior Notes[(ii)]	(7)	Guatemala	2024	6.875	**—**	—
BOB 4.75% Notes	(8)	Bolivia	2020	4.75	**112**	135
BOB 4.05% Notes	(8)	Bolivia	2020	4.05	**15**	15
BOB 4.85% Notes	(8)	Bolivia	2023	4.85	**85**	85
BOB 3.95% Notes	(8)	Bolivia	2024	3.95	**50**	—
BOB 4.30% Notes	(8)	Bolivia	2029	4.30	**25**	—
UNE Bond 1 (tranches A and B)	(9)	Colombia	2020	CPI + 5.10	**50**	47
UNE Bond 2 (tranches A and B)	(9)	Colombia	2016/2023	CPI + 3.70 / 4.80	**50**	94
UNE Bond 3 (tranche A)	(9)	Colombia	2024	9.35	**53**	—
UNE Bond 3 (tranche B)	(9)	Colombia	2026	CPI+4.15	**85**	—
UNE Bond 3 (tranche C)	(9)	Colombia	2036	CPI+4.89	**43**	—
Total bond financing					**2,561**	2,676

(i) STIBOR – Swedish Interbank Offered Rate.
(ii) No amounts appear in 2015 and 2016 for Guatemala because of their deconsolidation and classification as joint ventures.

(1) SEK Senior Unsecured Notes

On 30 October 2012 Millicom issued Senior Unsecured Floating Rate Notes of Swedish Krona ("SEK") 1.75 billion and Senior Unsecured Fixed Rate Notes of SEK 0.25 billion both repayable in five years. At the same time, Millicom entered into various cross currency interest rate swap contracts whereby Millicom will receive SEK and sell USD to hedge against exchange and interest rate fluctuations.

On 12 April 2016, Millicom offered to purchase for cash any and all of its SEK 250 million (approximately US$31 million) 5.125% Senior Unsecured Fixed Rate Notes due 2017 (the "Fixed Rate Notes") and its SEK 1.75 billion (approximately US$219 million) STIBOR +3.500% Senior Unsecured Floating Rate Notes due 2017 (the "Floating Rate Notes", and together with the Fixed Rate Notes, the "Notes").

Following the early and regular tender offers, SEK 186 million (approximately US$23 million) and SEK 1.498 billion (approximately US$187 million) in aggregate principal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, have been repaid. Millicom has paid to such noteholders 105.8% and 102.8% of the nominal amount of the Fixed Rate Notes and the Floating Rate Notes, respectively, together with any accrued interest.

After settlement, SEK 64 million (approximately US$8 million) in aggregate principal amount of the Fixed Rate Notes (25.6%) and SEK252 million (approximately US$32 million) in aggregate principal amount of the Floating Rate Notes (14.4%) remained outstanding.

On 19 September 2016, the Group has notified holders of both Bonds of the early voluntary redemption of the notes in full. The outstanding notes totaling SEK 316 million (approximately US$40 million) of principal were redeemed in October 2016.

The total early redemption fees amounting to US$8 million have been recorded under interest expenses. The remaining US$1 million of related unamortized costs were also expensed during 2016.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.1. Bond financing – continued

(2) USD 4.75% Senior Notes

On 22 May 2013, Millicom issued a US$500 million fixed interest rate bond to refinance most of the external debt outstanding at the time in its African operations. Withheld costs of issuance of US$10 million and paid costs of US$9 million are amortized over the seven-year life of the notes (effective interest rate of 5.29%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/EBITDA.

In November 2016, MIC S.A. announced an offer to purchase for cash up to US$300 million of its 4.750% Senior Notes due 2020 and its 6.625% Senior Notes due 2021 (the "Notes"). In December 2016, the Company confirmed that it had accepted to purchase US$300 million in aggregate principal amount of the Notes of which US$158 million of its 4.750% Senior Notes due 2020. The early redemption fees amounting to US$3 million and US$3 million of related unamortized costs have been expensed in December 2016 under interest expenses.

(3) USD 6% Senior Notes

On 11 March 2015, Millicom issued a US$500 million 6% fixed interest rate bond repayable in ten years, to repay the El Salvador 8% Senior Notes and for general corporate purposes. The bond was issued at 100% of the principal and has an effective interest rate of 6.132%. US$7.2 million of withheld and upfront costs are being amortized over the ten-year life of the bond.

(4) USD 6.625% Senior Notes

On 16 October 2013, Millicom issued a US$800 million bond. The funds were used to finance the Colombian Merger (see note A.1.2.), and released from the escrow account prior to completion of the merger on 14 August 2014 (effective interest rate of 7.17%).

In August 2015, Millicom obtained consent from its noteholders to amend certain covenant terms and conditions to align to its other credit facilities. The covenant was increased to 3.0x Net Debt/EBITDA.

As part of the offer for early redemption described in (2) above, the Company confirmed that it had accepted for purchase US$142 million of principal of its 6.625% Senior Notes due 2021. The early redemption fees amounting to US$8 million and US$2 million of related unamortized costs have been expensed in December 2016 under interest expenses.

(5) SEK Senior Unsecured Notes

On 21 April 2016, Millicom also completed the placing of a new SEK 2 billion (approximately US$250 million) 3-year floating rate bond in the Swedish market. The new bond has a floating rate coupon of three months STIBOR +3.3% and will mature on 17 April 2019, with a first call option on 17 April 2018. The bond was issued at 100% of the principal. US$2.5 million of withheld and upfront costs are being amortized over the three year life of the bond. The covenant is set at 3.0x Net Debt/EBITDA.

(6) USD 6.75% Senior Notes

On 7 December 2012, Telefónica Cellular del Paraguay S.A., Millicom's fully owned subsidiary in Paraguay issued US$300 million of notes at 100% of the aggregate principal amount. Distribution and other transaction fees of US$7 million reduced the total proceeds from issuance to US$293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on 13 June and 13 December. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of Telefónica Celular del Paraguay S.A. and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telefónica Celular del Paraguay S.A. The 6.75% Senior Notes are unguaranteed.

(7) USD 6.875% Senior Notes

In January 2014, Intertrust SPV (Cayman) Limited, acting as trustee of the Comcel Trust, a trust established and consolidated by Comcel for the purposes of the transaction, issued a bond to refinance existing local and MIC S.A. corporate debt. The bond was issued at 98.233% of the principal and has an effective interest rate of 7.168%. The bond is guaranteed by Comcel and listed on the Luxembourg Stock Exchange. Simultaneously with, and using the proceeds from, the bond, Comcel entered into an US$800 million senior unsecured loan with a bank. The proceeds of the bond were used by Intertrust SPV to purchase a 100% participation interest in the loan pursuant to a credit and guarantee.

The loan agreements between Intertrust, the bank and Comcel remove any risk to the bank connected to the loans, and as such the Group has offset its asset against its liability towards the bank from the date of the agreement. Following the deconsolidation of Guatemala as of 31 December 2015, the asset and liability have both been deconsolidated at that date.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.1. Bond financing – continued

(8) BOB Notes

In May 2012, Telecel Bolivia issued Boliviano (BOB) 1.36 billion of notes repayable in installments until 2 April 2020. Distribution and other transaction fees of BOB 5 million reduced the total proceeds from issuance to BOB 1.32 billion (US$191 million). The bond has a 4.75% per annum coupon with interest payable semi-annually in arrears in May and November each year. The effective interest rate is 4.79%.

In November 2015, Telecel Bolivia issued BOB696 million (approximately US$100 million) of notes in two series, A for BOB104.4 million (approximately US$15 million), with a fixed annual interest rate of 4.05%, maturing in August 2020 and serie B for BOB591.6 million (approximately US$85 million) with a fixed annual interest rate of 4.85%, maturing in August 2023. The bond has coupon with interest payable semi-annually in arrears in March and September during the first two years, thereafter each February and August. The effective interest rate is 4.84%. In the placement, the final interest rate was reduced as Telecel Bolivia took advantage of strong demand for the bonds resulting in a reduction of the average interest rate to 4.55%. Telecel Bolivia received BOB4.59 million in excess of the BOB696 million issued (upfront premium).

On 11 August 2016, our operation in Bolivia issued a new bond for a total amount of BOB522 million consisting of two tranches (approximately US$50 million and US$25 million, respectively). Tranche A and B bear fixed interest at 3.95% and 4.30%, and will mature in June 2024 and June 2029, respectively.

(9) UNE Bonds

In March 2010, UNE issued a COP 300 billion (approximately US$126 million) five and ten-year bond consisting of two tranches. Interest rates are either fixed or variable depending on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in March 2015 and Tranche B will mature in March 2020.

In May 2011, UNE issued a COP 300 billion (approximately US$126 million) five and 12-year bond consisting of two equal tranches. Interest rates are variable and depend on the tranche. Tranche A bears variable interest, based on CPI, in Colombian peso and paid in Colombian peso. Tranche B bears variable interest, based on Fixed Term Deposits, in Colombian peso and paid in Colombian peso. UNE applied the proceeds to finance its investment plan. Tranche A matured in October 2016 and Tranche B will mature in October 2023.

In May 2016, UNE issued a COP 540 billion bond (approximately US$176 million) consisting of three tranches (approximately US$52 million, US$83 million and US$41 million respectively). Interest rates are either fixed or variable depending on the tranche. Tranche A bears fixed interest at 9.35%, while Tranche B and C bear variable interest, based on CPI, (respective margins of CPI+4.15% and CPI+4.89%), in Colombian peso.

UNE applied the proceeds to finance its investment plan and repay one bond (COP150 billion tranche). Tranches A, B and C will mature in May 2024, May 2026 and May 2036, respectively.

USD 8% Senior Notes

On 23 September 2010, Telemóvil Finance Co. Ltd., issued US$450 million aggregate principal amount 8% Senior Notes due on 1 October 2017. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and were payable semi-annually in arrears on 1 April and 1 October.

On 18 March 2015 Millicom tendered an offer to early redeem the remaining US$311 million of the US$450 million bond issued by Telemovil Finance Co. Ltd in 2010 for US$323 million including an early redemption premium of US$12 million over the face value of the bonds. The repurchase was completed on 20 April 2015. The early redemption premium of US$12 million premium and US$4 million of related unamortized costs were expensed in 2015.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.2. Bank financing

Bank financing (US$ millions)	Country	Maturity	Interest rate %	2016	2015
Fixed rate loans					
Long-term loans	Paraguay	2020/2023	9	**103**	92
Variable rate loans					
USD Long-term loans	Costa Rica	2021	4 variable	**92**	104
USD Long-term loans	Chad	2019	4 variable	**7**	11
USD Long-term loans	Rwanda	2019	2.9 variable	**69**	119
USD Long-term loans	Tanzania (Zantel)	2020	4.1 variable	**99**	100
BOB Long-term loans	Bolivia	2019	6 variable	**1**	1
USD Short-term loans	Ghana	2018	3.5 variable	**40**	40
COP Long-term loans	Colombia (UNE)	2023/2025	10.4 variable(i)	**400**	381
USD Senior Unsecured Term Loan Facility	El Salvador	2021	LIBOR + 3.0	**50**	—
USD Credit Facility	El Salvador	2021	LIBOR + 2.25	**33**	—
Other Long-term loans	Various		Various	**46**	118
Total Bank financing				**940**	966

(i) IBR – Colombia Interbank Rate.

MIC S.A. revolving credit facility

In June 2014, MIC S.A. entered into a $500 million revolving credit facility with a consortium of banks (the "2014 RCF") of which $200 million (Facility A) is for a 2-year term and $300 million (Facility B) is for a 3-year term. In May 2015 both facilities were extended for one year. As of 31 December 2016, the facility was committed and fully undrawn.

In the fourth quarter of 2016, Millicom initiated the renegotiation of its Revolving Credit Facility which was partially maturing in June 2017. By year end 2016, having secured over $500 million of commitments from relationship banks through a refinancing process, the Group accelerated the amortization of the upfront costs incurred in relation with the 2014 RCF and totalling then $2 million.

On 30 January 2017, the Company announced the closing of a new $ 600 million, 5 years Revolving Credit Facility and notified the lenders in the 2014 RCF of the formal cancellation of the commitments outstanding under the 2014 RCF (none of which were drawn at such date).

Subject to the terms of the revolving credit facility, the maturity date of all or a portion of the amounts outstanding under the 2017 facility will be due in full in January 2022. Amounts drawn under the revolving credit facility may be used for general corporate and working capital purposes of the Millicom Group, including financing acquisitions, licenses, capital expenditure, and payment of dividends to the extent permitted under the revolving credit facility agreement. Interest on amounts drawn under the revolving credit facility is payable at LIBOR or EURIBOR, as applicable, plus an initial margin of 1.5%, provided that the margin may be reduced or increased if the net leverage ratio of MIC S.A. in respect of the last twelve month (as measured on a quarterly basis) is within a specified range.

MIC S.A. term loan facility

In July 2016, MIC S.A. entered into a US$50 million term loan facility agreement, for which half will be repaid in 2018 and half in 2019. The facility bears variable interest rate at six-month LIBOR + 2.25% per annum.

El Salvador

On 15 April 2016, Telemovil El Salvador, S.A. de C.V. entered into a Senior Unsecured Term Loan Facility of US$50 million maturing in April 2021 and bearing variable interest at LIBOR + 3.0% per annum. This Facility is guaranteed by the Company.

On 6 June 2016, Telemovil El Salvador, S.A. de C.V. entered into a US$30 million Credit Facility for general corporate purposes maturing in June 2021 and bearing variable interest rate at LIBOR + 2.25% per annum. The Facility is repayable over different yearly installments until maturity and is guaranteed by the Company.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.2. Bank financing – continued

Right of set-off and derecognition

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- Rights to receive cash flows from the asset have expired; or
- Rights to receive cash flows from the asset or obligations to pay the received cash flows in full without material delay have been transferred to a third party under a "pass-through" arrangement; and the Group has either transferred substantially all the risks and rewards of the asset or the control of the asset.

When rights to receive cash flows from an asset have been transferred or a pass-through arrangement concluded, an evaluation is made if and to what extent the risks and rewards of ownership have been retained. When the Group has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay (see USD 6.875% Senior Notes in note C.3.1.).

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

In addition to the bank financing arrangements described above, as of 31 December 2016, a Millicom subsidiary has an agreement with a bank whereby the bank provided loans amounting to EUR134 million (2015: EUR134 million) to the Millicom subsidiary with a maturity date in 2020. Simultaneously Millicom deposited the same amount with the bank and entered into total return swaps. The total return swaps remove any risk of the banks connected to the loans, and as such Millicom has derecognized both its deposit asset and the loan liabilities from the date of the total return swap (see D.1.2.).

C.3.3. Finance leases

Millicom's finance leases mainly consist of long-term lease of tower space from tower companies or competitors on which Millicom locates its network equipment.

Finance lease liabilities

Leases which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee are capitalized at the inception of the lease. The amount capitalized is the lower of the fair value of the asset or the present value of the minimum lease payments.

Lease payments are allocated between finance charges (interest) and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded as interest expenses in the income statement.

Finance lease liabilities (US$ millions)	Country	Maturity	**2016**	2015
Lease of tower space	Tanzania	2023	**78**	90
Lease of tower space	Colombia Movil	2023	**77**	66
Lease of tower space	DRC	2017/2023	**—**	40
Lease of tower space	Ghana	2023/2025	**14**	21
Lease of poles	Colombia (UNE)	2029	**83**	67
Other finance lease liabilities	various	various	**43**	52
Total finance lease liabilities			**295**	336

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.3.4. Guarantees and pledged assets

Guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized, less cumulative amortization.

Liabilities to which guarantees are related are recorded in the consolidated statement of financial position under the caption "Debt and financing" and liabilities covered by supplier guarantees are recorded under the caption "Trade payables" or "Debt and financing", depending on the underlying terms and conditions.

Maturity of guarantees (US$ millions)	**At 31 December 2016**		At 31 December 2015	
Term	**Outstanding exposure(i)**	**Maximum exposure(ii)**	Outstanding exposure(i)	Maximum exposure(ii)
0–1 year	**38**	**38**	100	100
1–3 years	**348**	**348**	143	143
3–5 years	**250**	**250**	393	393
More than 5 years	**4**	**4**	7	7
Total guarantees	**640**	**640**	643	643

(i) The outstanding exposure represents the carrying amount of the related liability at 31 December.
(ii) The maximum exposure represents the total amount of the Guarantee at 31 December.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit, or guarantees issued by the Company at 31 December 2016 was US$643 million (2015: US$646 million), out of this, assets pledged by the Group over this debt and financing at the same date amounted to US$3 million (2015: US$3 million). The remainder represented primarily guarantees issued by Millicom S.A. to guarantee financings raised by other Group operating entities.

C.3.5. Covenants

Millicom's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2016 there were no breaches in financial covenants.

C.4. Cash and deposits

C.4.1. Cash and cash equivalents

(US$ millions)	**2016**	2015
Cash and cash equivalents in USD	**411**	467
Cash and cash equivalents in other currencies	**235**	302
Total cash and cash equivalents	**646**	769

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash deposits with bank with maturities of more than three months that generally earn interest at market rates are classified as time deposits.

C.4.2. Restricted cash

(US$ millions)	**2016**	2015
Mobile Financial Services	**136**	134
Others	**9**	8
Restricted cash	**145**	142

Cash held with banks related to Mobile Financial Services which is restricted in use due to local regulations is denoted as restricted cash.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.4.3. Pledged deposits

Pledged deposits represent contracted cash deposits with banks that are held as security for debts at corporate or operational entity level. Millicom is unable to access these funds until either the relevant debt is repaid or alternative security is arranged with the lender.

At 31 December 2016, there were no non-current pledged deposits (2015: US$nil).

At 31 December 2016, current pledged deposits amounted to US$3 million (2015: US$3 million).

C.5. Net debt

Net debt (US$ millions)	**2016**	2015
Total debt and financing	**3,901**	4,010
Less:		
Cash and cash equivalents	**(646)**	(769)
Restricted cash	**(145)**	(142)
Pledged deposits	**(3)**	(3)
Time deposits related to bank borrowings	**(2)**	(2)
Net debt at the end of the year	**3,105**	3,094
Add (less) derivatives related to debt (SEK currency swap)	**84**	65
Net debt including derivatives related to debt	**3,189**	3,159

C.6. Financial instruments

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial instruments that contain obligations to purchase own equity instruments

Contracts that contain obligations for the Company to purchase its own equity instruments for cash or other financial assets are initially recorded as financial liabilities, based on the present value of the redemption amounts with a corresponding reserve in equity. Subsequently, the carrying value of the liability is remeasured at the present value of the redemption amount with changes in carrying value recorded in other non-operating (expenses) income, net. If the contracts expire without delivery, the carrying amounts of the financial liabilities are reclassified to equity.

The put options that Millicom granted to its local shareholders in Honduras and Guatemala represented obligations to purchase the shares held by the local partners (see note C.6.3.).

Financial instruments that contain call options over non-controlling interests

Contracts over non-controlling interests that require gross cash settlement are also classified as equity instruments. Such call options are initially recognized at fair value and not subsequently remeasured. If a call option is exercised, this initial fair value is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, the fair value of the call option remains within equity.

Call option contracts over non-controlling interests that require net cash settlement or provide a choice of settlement are classified as financial assets. Contracts over non-controlling interests that require physical settlement of a variable number of own shares for a variable price are classified as financial assets and changes in the fair value are reported in the income statement. If such a call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If an unexercised call option expires or otherwise lapses, its carrying amount is expensed in the income statement.

The call options that Millicom obtained from its local shareholders in Honduras and Guatemala provided Millicom with control over the operations in those countries until 31 December 2015 and were classified as financial assets. Changes in the fair value of the call options were recorded in other non-operating (expenses) income, net.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.6. Financial instruments – continued

Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value at each subsequent closing date. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or
b) Hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

For transactions designated and qualifying for hedge accounting, at the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. This is done in reference to the Group Financial Risk Management Policy as last updated and approved by the Audit Committee of October 2016. The Group also documents its assessment, both at hedge inception and on an ongoing basis (quarterly), of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging instrument is classified as a non-current asset or liability when the period to maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining period to maturity of the hedged item is less than 12 months.

The change in fair value of hedging instruments that are designed and qualify as fair value hedges is recognized in the income statement as finance costs or income. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the income statement as finance costs or income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Gains or loss relating to any ineffective portion is recognized immediately in the income statement within "Other non-operating (expenses) income, net". Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time is recycled to the income statement within "Other non-operating (expenses) income, net".

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "Other non-operating (expenses) income, net".

C.6.1. Fair Value Measurement Hierarchy

Millicom uses the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade ratings. Interest rate swaps, foreign exchange forward contracts are valued using valuation techniques, which employ the use of markets observable data. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward curves.

Derivative financial instruments are measured with reference to Level 2, except for the call option in Honduras and in Guatemala (see note C.6.3.), which were measured with reference to Level 3. The fair value of the call option was determined by using an option pricing model (Monte Carlo simulation using the Longstaff Schwartz algorithm). The Honduras and Guatemala put option liabilities were carried at the present value of the redemption amount and were therefore excluded from the fair value hierarchy. No other financial instruments are measured at fair value.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.6.2. Fair value of financial instruments

The fair value of Millicom's financial instruments are shown at amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of all financial assets and all financial liabilities except debt and financing approximate their carrying value largely due to the short-term maturities of these instruments. The fair values of all debt and financing have been estimated by the Group, based on discounted future cash flows at market interest rates.

Fair values of financial instruments at 31 December (US$ millions)(ii)	Note	Carrying value 2016	Carrying value 2015	Fair value(i) 2016	Fair value(i) 2015
Financial Assets					
Pledged deposits	C.4.3.	**—**	—	**—**	—
Derivative financial instruments		**32**	26	**32**	26
Other non-current assets		**72**	75	**72**	75
Trade receivables, net		**387**	398	**387**	398
Amounts due from non-controlling interests, associates and joint venture partners		**17**	16	**17**	16
Prepayments and accrued income		**171**	193	**171**	193
Supplier advances for capital expenditures		**23**	39	**23**	39
Other current assets		**110**	109	**110**	109
Restricted cash		**145**	142	**145**	142
Cash and cash equivalents		**646**	769	**646**	769
Total financial assets		**1,603**	1,765	**1,603**	1,765
Current		**1,499**	1,665	**1,499**	1,665
Non-current		**104**	101	**104**	101
Financial Liabilities					
Debt and financing(ii)	C.3.	**3,901**	4,010	**4,234**	3,872
Trade payables		**297**	334	**297**	334
Payables and accruals for capital expenditure		**326**	285	**326**	285
Derivative financial instruments		**84**	65	**84**	65
Amounts due to non-controlling interests, associates and joint venture partners		**386**	644	**386**	644
Accrued interest and other expenses		**376**	425	**376**	425
Other liabilities		**400**	352	**400**	352
Total financial liabilities		**5,770**	6,115	**6,103**	5,977
Current		**1,531**	2,125	**1,531**	2,125
Non-current		**4,239**	3,990	**4,572**	3,852

(i) Fair values are measured with reference to Level 1 (for listed bonds) or 2, except for call option asset which was measured during the year 2015 with reference to Level 3.
(ii) Comparative information has been restated after finalization of Zantel's purchase accounting (note A.1.2.).

C.6.3. Call and put options

Honduras Call Option

For Celtel, the call option price was a fixed multiple of the EBITDA of Celtel. On 31 December 2015, Celtel's call option to acquire the remaining 33% of the Honduras business has expired unexercised and Celtel has been deconsolidated as a result. The fair value of the call option was immaterial. For further details, see note A.2.2.

Honduras Put Option

For Celtel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Celtel. The multiple is based on a change of control transaction multiple of Millicom. Management estimated the change of control transaction multiple of Millicom from a trading multiple of Millicom adding a control premium (based upon comparable transactions from the industry).

During the year 2015, Millicom recorded an income of US$117 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability. At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$456 million on 31 December 2015.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

C.6.3. Call and put options – continued

Guatemala call option

For Comcel, the call option price was a fixed multiple of the EBITDA of Comcel, with a gold price index in the event that the gold price increased by more than 40%. Millicom's two year unconditional call option to acquire the remaining 45% of the Guatemalan business expired on 31 December 2015. Millicom's call option has therefore been derecognized at 31 December 2015. As a result, a total loss of US$71 million was recorded in 2015 under "other non-operating (expenses) income, net". For further details, see note A.2.2.

Guatemala put option

For Comcel the liability was measured at the present value of the redemption price of the put option.

The redemption price of the put option was based on a multiple of the EBITDA of Comcel. The multiple was based on a change of control transaction multiple of Millicom. Management estimate the change of control transaction multiple of Millicom from a trading multiple of Millicom and add a control premium (based upon comparable transactions).

During the year 2015, Millicom recorded an income of US$8 million under "other non-operating (expenses) income, net" due to the decrease in value of the put option liability.

At the same time as the unconditional call option, the conditional put option Millicom provided to the other shareholders also lapsed. This resulted in the carrying value of the put option liability being reclassified within equity for a total amount of US$1,679 million on 31 December 2015.

D. Financial risk management

Exposure to interest rate, foreign currency, non-repatriation, liquidity, capital management and credit risks arise in the normal course of Millicom's business. Each year Group Treasury revisits and presents to the Audit committee updated Treasury and Financial Risks Management policies. The Group analyzes each of these financial risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its Financial Risk Management policy. These policies were last reviewed in September and October 2016. As part of the annual review of the above mentioned risks, the Group agrees to a strategy over the use of derivatives and natural hedging instruments ranging from raising debt in local currency (where the Company targets to reach 40% of debt in local currency over the medium term) to maintain a 70/30% mix between fix and floating rate debt or agreeing to cover up to six months forward of operating costs and capex denominated in non-functional currencies through a rolling and layering strategy. Millicom's risk management strategies may include the use of derivatives to the extent a market would exist in the jurisdictions where the Group operates. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Accounting policies for derivatives is further detailed in note C.6.

On 31 December 2016, fair value of derivatives held by the Group can be summarized as follows:.

Derivatives (US$ millions)	**2016**	2015
Cash flow hedge derivatives	**(84)**	(65)
Derivatives held for trading (on swaps on Euro denominated debt)	**32**	26
Net derivative asset (liability)	**(52)**	(39)

D.1. Interest rate risk

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed (up to 70%) and variable (up to 30%) rates. The Group actively monitors borrowings against this target. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2016, approximately 70% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates with interest rate swaps (2015: 68%).

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

D.1.1. Fixed and floating rate debt

Financing at 31 December 2016 (US$ millions)	Amounts due within: 1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
Fixed rate financing	**41**	**85**	**314**	**435**	**720**	**1,141**	**2,736**
Weighted average nominal interest rate	**7.52%**	**7.54%**	**5.41%**	**5.62%**	**7.11%**	**8.51%**	**7.28%**
Floating rate financing	**39**	**168**	**204**	**213**	**130**	**411**	**1,165**
Weighted average nominal interest rate	**4.20%**	**9.46%**	**3.63%**	**2.89%**	**1.21%**	**3.86%**	**3.16%**
Total	**80**	**252**	**518**	**649**	**850**	**1,552**	**3,901**
Weighted average nominal interest rate	**5.90%**	**8.81%**	**4.71%**	**4.72%**	**6.20%**	**7.28%**	**6.05%**

Financing at 31 December 2015 (US$ millions)	Amounts due within: 1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
Fixed rate financing	48	75	65	92	581	1,876	2,737
Weighted average nominal interest rate	9.17%	8.36%	9.56%	8.78%	5.44%	7.58%	7.26%
Floating rate financing	173	245	99	170	229	357	1,273
Weighted average nominal interest rate	4.97%	3.33%	4.16%	3.95%	5.66%	12.06%	5.08%
Total	221	320	164	262	810	2,233	4,010
Weighted average nominal interest rate	5.87%	4.51%	6.30%	5.64%	5.50%	7.93%	7.01%

A 100 basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2016 would increase or reduce profit before tax from continuing operations for the year by approximately US$12 million (2015: US$13 million).

D.1.2. Interest rate swap contracts

From time to time, Millicom enters into currency and interest rate swap contracts to manage its exposure to fluctuations in interest rates and currency fluctuations in accordance with its risk management policies. Details of these arrangements are provided below.

Interest rate and currency swaps on SEK denominated debt

As described in note C.3.1., the SEK Bonds have been fully redeemed during 2016. As a consequence, the Group has modified and extended the related interest rate and currency swaps until at least April 2018 and attached them to the new SEK Bond. The swaps are accounted for as a cash flow hedge as the timing and amounts of the cash flows under the swap agreements match the cash flows under the new SEK bond. The hedging relationship is highly effective and related fluctuations are recorded through other comprehensive income. At 31 December 2016, the fair values of the swaps amount to a liability of US$84 million (31 December 2015: a liability of US$65 million). These instruments are measured with reference to Level 2.

Interest rate and currency swaps on Euro denominated debt

In June 2013, Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven-year Euro (EUR) 134 million principal and related interest financing of its operation in Senegal. At 31 December 2016, the fair value of the swap amounts to an asset of US$32 million (2015: an asset of US$26 million). This instrument is measured with reference to Level 2.

In July 2013, Millicom entered into interest rate and currency swaps whereby Millicom will sell Euro's and receive USD to hedge against exchange rate fluctuations on a seven-year EUR41.5 million principal and related interest financing of its operation in Chad. In March 2015, the financing facility was repaid and the swap contracts terminated. A gain on the swap including termination of US$4 million was recorded in other non-operating income (expenses), net.

These financings are connected to the downstreaming of a portion of Millicom's 4.75% bond (see note C.3.1.). These hedges do not qualify for hedge accounting. Fluctuations in the value of those instruments are recorded through profit and loss. US$6 million of income was recorded from the fluctuations in fair value in 2016 (2015: US$32 million) in "other non-operating income (expenses), net".

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

D.2. Foreign currency risks
The Group is exposed to foreign exchange risk arising from various currency exposures in the countries in which it operates. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar reporting currency. In some cases, Millicom may also borrow in US dollars where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

D.2.1. Debt denominated in US$ and other currencies

Debt denomination at 31 December (US$ millions)	**2016**	2015
Debt denominated in US$	**2,266**	2,564
Debt denominated in currencies of the following countries:		
Colombia	**841**	660
Chad	**69**	94
Tanzania	**93**	94
Bolivia	**288**	236
Ghana	**13**	21
Paraguay	**103**	92
Luxembourg (SEK denominated)	**217**	234
Other	**11**	15
Total debt denominated in other currencies	**1,635**	1,446
Total debt	**3,901**	4,010

At 31 December 2016, if the US dollar had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by US$51 million and US$(63) million respectively (2015: US$29 million and US$35 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the US$-denominated debts in our operations with functional currencies other than the US dollar.

D.2.2. Foreign currency swaps
See note D.1.2. Interest rate swaps.

D.3. Non-repatriation risk
Most of Millicom's operating subsidiaries generate most of the revenue of the Group and in the currency of the countries in which they operate. Millicom is therefore dependent on the ability of its subsidiaries and joint venture operations to transfer funds to the Company.

Although foreign exchange controls exist in some of the countries in which Millicom Group companies operate, none of these controls currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where the Group operates, or foreign exchange controls may be introduced in countries where the Group operates that do not currently impose such restrictions. If such events were to occur, the Company's ability to receive funds from the operations could be subsequently restricted, which would impact the Company's ability to make payments on its interest and loans and, or pay dividends to its shareholders. As a policy, all operations which do not face restrictions to deposit funds offshore and in hard currencies should do so for the surplus cash generated on a weekly basis. The Company and its subsidiaries make use of notional and physical cash pooling arrangements in hard currencies to the extent permitted.

In addition, in some countries it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this may be time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group. This is a relatively rare case for the countries in which the Group operates.

Lastly, repatriation most often gives raise to taxation, which is evidenced in the amount of taxes paid by the Group relative to the Corporate Income Tax reported in its statement of income.

D.4. Credit and counterparty risk
Financial instruments that subject the Group to credit risk include cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners and associates, supplier advances and other current assets and derivatives. Counterparties to agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set, based on each bank's credit rating.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

D.4. Credit and counterparty risk – continued

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Accounts receivable also comprise balances due from other telecom operators. Credit risk of other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. The Group maintains a provision for impairment of trade receivables based upon expected collectability.

As the Group has a large number of internationally dispersed customers, there is generally no significant concentration of credit risk with respect to trade receivables, except for certain B2B customers (mainly governments). See Note F.1.

D.5. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has significant indebtedness but also has significant cash balances. Millicom evaluates its ability to meet its obligations on an ongoing basis using a recurring liquidity planning tool. This tool considers the operating net cash flows generated from its operations and the future cash needs for borrowing, interest payments, dividend payments and capital and operating expenditures required in maintaining and developing its operating businesses.

The Group manages its liquidity risk through use of bank overdrafts, bank loans, bonds, vendor financing, Export Credit Agencies and Development Finance Institutions ("DFI") loans, and finance leases. Millicom believes that there is sufficient liquidity available in the markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC and FMO), which have been established specifically to finance development in the Group's markets. Millicom has a diversified financing portfolio with commercial banks representing about 24% of its gross financing (2015: 24%), bonds 66% (2015: 64%), Development Finance Institutions 2% (2015: 3%), finance leases 8% (2015: 8%), and no vendor financing (2015 1%).

Maturity profile of net financial liabilities at 31 December 2016 (US$ millions)	**Less than 1 year**	**1 to 5 years**	**> 5 years**	**Total**
Total debt and financing	**(80)**	**(2,269)**	**(1,552)**	**(3,901)**
Cash and cash equivalents	**646**	**—**	**—**	**646**
Restricted cash	**145**	**—**	**—**	**145**
Pledged deposits (related to bank borrowings)	**3**	**—**	**—**	**3**
Time deposits	**2**	**—**	**—**	**2**
Derivative financial instruments (SEK currency swap)	**—**	**(84)**	**—**	**(84)**
Net cash (debt) including derivatives related to debt	**716**	**(2,353)**	**(1,552)**	**(3,189)**
Future interest commitments	**(283)**	**(916)**	**(71)**	**(1,270)**
Trade payables (excluding accruals)	**(443)**	**—**	**—**	**(443)**
Other financial liabilities (including accruals)	**(1,174)**	**—**	**—**	**(1,174)**
Trade receivables	**387**	**—**	**—**	**387**
Other financial assets	**131**	**71**	**—**	**202**
Net financial liabilities	**(666)**	**(3,199)**	**(1,622)**	**(5,487)**

Maturity profile of net financial liabilities at 31 December 2015 (US$ millions)	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(221)	(1,555)	(2,233)	(4,010)
Cash and cash equivalents	769	—	—	769
Restricted cash	142	—	—	142
Pledged deposits (related to bank borrowings)	3	—	—	3
Time deposits	2	—	—	2
Derivative financial instruments (SEK currency swap)	—	(65)	—	(65)
Net cash (debt) including derivatives related to debt	695	(1,620)	(2,233)	(3,159)
Future interest commitments	(257)	(881)	(83)	(1,221)
Trade payables (excluding accruals)	(420)	—	—	(420)
Other financial liabilities (including accruals)	(1,693)	—	—	(1,693)
Trade receivables	398	—	—	398
Other financial assets	130	75	—	205
Net financial liabilities	(1,147)	(2,426)	(2,316)	(5,889)

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

D.6. Capital management
The primary objective of the Group's capital management is to ensure a strong credit rating and solid capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure with reference to economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. At 31 December 2016, Millicom is rated at one notch below investment grade by the independent rating agencies Moody's (Ba1 negative) and Fitch (BB+ stable). The Group primarily monitors capital using net debt to EBITDA.

The Group reviews its gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents (included restricted cash) and pledged and time deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

Net debt to EBITDA (US$ millions)	Note	2016	2015
Net debt(i)	C.5.	4,181	4,295
EBITDA (i)	B.3.	2,172	2,188
Net debt to EBITDA		**1.93**	1.96

Gearing ratio (US$ millions)	Note	2016	2015
Net debt(i)	C.5.	4,181	4,295
Equity	C.1.	3,167	3,477
Net debt and equity		**7,348**	7,772
Gearing ratio		**57%**	55%

(i) Including net debt and EBITDA of Guatemala and Honduras operations for US$1,076 million (2015: US$1,201 million) and US$858 million (2015: US$934 million), respectively.

E. Long-term assets
E.1. Intangible sssets
Millicom's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate and use spectrum.

E.1.1. Accounting for intangible assets
Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost, less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill
Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, at the date of the acquisition. If the fair value or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within 12 months of the acquisition date any adjustments to the provisional values are recognized. This is done when the fair values and the cost of the acquisition have been finally determined. Adjustments to provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries is included in "intangible assets, net". Goodwill on acquisition of joint ventures or associates is included in "investments in joint ventures and associates". Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.1. Accounting for intangible assets – continued

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are included only if there is evidence to support renewal by the Group without significant cost.

Trademarks and customer lists

Trademarks and customer bases are recognized as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks and customer bases have indefinite or finite useful lives. Indefinite useful life trademarks are tested for impairment annually. Finite useful life trademarks are carried at cost, less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the trademarks and customer bases over their estimated useful lives. The estimated useful lives for trademarks and customer bases are based on specific characteristics of the market in which they exist. Trademarks and customer bases are included in “Intangible assets, net”.

Estimated useful lives are:

Estimated useful lives	Years
Trademarks	1 to 15
Customer lists	4 to 9

Programming and content rights

Programming and content master rights which are purchased or acquired in business combinations which meet certain criteria are recorded at cost as intangible assets. The rights must be exclusive, related to specific assets which are sufficiently developed, and probable to bring future economic benefits and have validity for more than one year. Cost includes consideration paid or payable and other costs directly related to the acquisition of the rights, and are recognized at the earlier of payment or commencement of the broadcasting period to which the rights relate.

Programming and content rights capitalized as intangible assets have a finite useful life and are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the rights over their estimated useful lives.

Non-exclusive and programming and content rights for periods less than one year are expensed over the period of the rights.

Indefeasible rights of use

There is no universally-accepted definition of an indefeasible rights of use (“IRU”). These agreements come in many forms. However, the key characteristics of a typical arrangement include:

- The right to use specified network infrastructure or capacity;
- For a specified term (often the majority of the useful life of the relevant assets);
- Legal title is not transferred;
- A number of associated service agreements including Operations and Maintenance (“O&M”) and co-location agreements. These are typically for the same term as the IRU; and
- Any payments are usually made in advance.

IRUs are accounted for either as a lease, or service contract based on the substance of the underlying agreement.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.1. Accounting for intangible assets – continued

IRU arrangements will qualify as a lease if, and when:

- The purchaser has an exclusive right for a specified period and has the ability to resell (or sub-let) the capacity; and
- The capacity is physically limited and defined; and
- The purchaser bears all costs related to the capacity (directly or not) including costs of operation, administration and maintenance; and
- The purchaser bears the risk of obsolescence during the contract term.

If all of these criteria are not met, the IRU is treated as a service contract.

If an IRU is determined to be a lease, the following indicators need to be present in order for the capitalization of an IRU as a finance lease to be considered:

- The Group will be consuming the major part of the useful economic life of the asset (generally considered to be 75% of the total remaining useful economic life of the asset). The Group assumes that the useful economic life of a new fiber cable is 15 years;
- Substantially all of the risks and rewards of ownership are transferred to the Group (e.g. Millicom can sublease excess capacity on the cables to other operators; Millicom is responsible for maintaining the cables during the contract period);
- Neither party has the right to terminate the contract early (other than for "force majeure");
- The contract price is not subject to renegotiation or change (other than for inflationary increases);
- The minimum contractual payments are for substantially all of the fair value of the asset (generally considered to be greater or equal to 90% of the fair value of the leased asset);
- The Group can determine the fair value of the leased asset;
- The Group has physical access rights to the cable.

Otherwise the IRU will be considered as an operating lease.

A finance lease of an IRU of network infrastructure (cables or fiber) is accounted for as a tangible asset.

A finance lease of a capacity IRU (wavelength) is accounted for as an intangible asset.

Estimated useful lives of finance leases of IRU's of capacity are between 12 and 15 years, or shorter if the estimated useful life of the underlying cable is shorter.

The costs of an IRU recognized as operating lease is recognized as prepayment and amortized in the income statement on a straight-line basis over the lease term.

The costs of an IRU recognized as service contract is recognized as prepayment and amortized in the income statement as incurred over the duration of the contract.

E.1.2. Impairment of non-financial assets

At each reporting date Millicom assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset's recoverable amount is made. The recoverable amount is determined 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 consolidated income statement in expense categories consistent with the function of the impaired asset.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. 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.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.3. Movements in intangible assets

Movements in intangible assets in 2016 (US$ millions)	**Goodwill**	**Licenses**	**Customer lists**	**IRUs**	**Broadcast and other rights**	**Other[i]**	**Total**
Opening balance, net	**621**	**387**	**57**	**119**	**32**	**213**	**1,429**
Additions	**—**	**89**	**—**	**4**	**—**	**98**	**192**
Amortization charge	**—**	**(64)**	**(26)**	**(13)**	**(3)**	**(80)**	**(186)**
Impairment	**—**	**—**	**—**	**(2)**	**—**	**(1)**	**(3)**
Disposals, net	**—**	**—**	**—**	**—**	**—**	**(6)**	**(6)**
Transfers	**—**	**(6)**	**—**	**1**	**(29)**	**(4)**	**(38)**
Transfers to/from assets held for sale (see note E.3.)	**(11)**	**(23)**	**—**	**—**	**—**	**(7)**	**(42)**
Exchange rate movements	**5**	**(3)**	**1**	**4**	**—**	**5**	**13**
Closing balance, net							
At 31 December 2016	**615**	**380**	**32**	**114**	**—**	**219**	**1,359**
Cost or valuation	**615**	**702**	**210**	**177**	**11**	**579**	**2,293**
Accumulated amortization and impairment	**—**	**(321)**	**(178)**	**(64)**	**(11)**	**(360)**	**(934)**
Net	**615**	**380**	**32**	**114**	**—**	**219**	**1,359**

Movements in intangible assets in 2015 (US$ millions)	Goodwill	Licenses	Customer lists	IRUs	Broadcast and other rights	Other[i]	Total
Opening balance, net	3,076	774	486	167	30	982	5,515
Change in the Group (see note A.1.2.)[ii]	17	40	22	9	—	12	100
Additions	—	47	—	31	—	116	194
Effect of deconsolidation [iii]	(2,358)	(345)	(343)	(13)	—	(754)	(3,813)
Amortization charge	—	(53)	(99)	(17)	(5)	(72)	(246)
Impairment	—	(18)	—	—	—	(1)	(19)
Disposals, net	—	—	—	(2)	—	—	(2)
Transfers	—	(3)	2	(6)	7	—	—
Exchange rate movement	(114)	(55)	(11)	(50)	—	(70)	(300)
Closing balance, net	621	387	57	119	32	213	1,429
At 31 December 2015							
Cost or valuation	621	639	210	182	51	495	2,198
Accumulated amortization and impairment	—	(252)	(153)	(63)	(19)	(282)	(769)
Net	621	387	57	119	32	213	1,429

(i) The caption "Other" includes intangible assets identified in business combinations (including trademarks – see note E.1.1.).
(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).
(iii) See note A.2.2.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions (US$ millions)	**2016**	2015
Additions	**192**	194
Change in accruals and payables for intangibles	**(49)**	(8)
Cash used from continuing operations for additions	**143**	186

E.1.5. Goodwill

Allocation of Goodwill to CGUs, net of exchange rate movements and after impairment (US$ millions)	Note	**2016**	2015
El Salvador		**194**	194
Costa Rica		**126**	129
Paraguay		**53**	53
Colombia		**198**	189
DRC		**—**	11
Tanzania (Zantel)		**11**	11
Other		**33**	34
Total		**615**	621

E.1.6. Impairment testing of goodwill

Goodwill from CGUs is tested for impairment at least each year and more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill arising on business combinations is allocated to each of the Group's cash generating units (CGU's) or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment.

Impairment is determined by assessing the recoverable amount (value in use) and, if appropriate, the fair value less costs to sell of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount and fair value less costs to sell of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized for the lower amount.

Impairment testing at 31 December 2016

Goodwill was tested for impairment by assessing the recoverable amount (first using a value in use model) against the carrying amount for CGU based on discounted cash flows. The cash flow projections used (adjusted operating profit margins, income tax, working capital, capital expenditure and license renewal cost) are extracted from financial budgets approved by management and the Board covering a period of five years or more. This planning horizon reflects industry practice in the countries where the Group operates and stage of development or redevelopment of the business in those countries. Cash flows beyond this period are extrapolated using a perpetual growth rate of 2.0%–2.5% (2015: 2.0%–2.5%). When value in use model resulted in the carrying values of the CGUs being higher than their recoverable amount, management has determined the fair value less cost of disposal ("FVLCD") of the CGUs. Fair value less cost of disposal has been determined either by using recent offers received from third parties (Level 1) or by using discounted cash flow projections (still based on the five-year plans) and applying a multiple of EBITDA on the terminal year of the five-year plan to derive the terminal value for the CGU (ranging between 3.0x to 4.0x) (Level 3).

For the year ended 31 December 2016, and as a result of the annual impairment testing on goodwill, management concluded that none of the Group CGUs should be impaired, but the impairment test performed for the Group CGU in Senegal shows limited headroom. As a matter of fact, a decrease in the EBITDA multiple used by 1.0pt would make the carrying value of the Group CGU equal its recoverable amount (determined by using FVLCD).

For the year ended 31 December 2015, the Senegal cash generating unit (CGU), part of Africa segment, had been impaired. Hence, in accordance with IAS 36, an impairment loss of US$54 million had been allocated to reduce the carrying amount of the other assets of our operations in Senegal (the goodwill allocated to Senegal was already fully impaired in 2013) pro rata on the basis of the carrying amount of each asset to the extent the carrying amount of each asset was not below the highest of its fair value less costs to sell, its value in use and zero. Management had determined that the impairment loss be allocated to property, plant and equipment and intangible assets for US$36 million and US$18 million, respectively. The impairment had been classified within the caption "other operating expenses, net". At 31 December 2015, the carrying value of the CGU corresponded to its fair value less costs of disposal (Level 3).

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.1.6. Impairment testing of goodwill – continued

Sensitivity analysis was performed on key assumptions within the impairment tests. The sensitivity analysis determined that sufficient margin exists from realistic changes to the assumptions that would not impact the overall results of the testing - except for Senegal (see above).

Discount rates used in determining recoverable amount (US$ millions)	Discount rate after tax (%) 2016	2015
Bolivia	**9.4**	10.8
Chad	**16.5**	17.3
Colombia	**8.6**	9.5
Costa Rica	**10.9**	11.1
DRC (See note E.3.)	**na**	17.6
El Salvador	**11.9**	11.4
Ghana	**17.7**	16.9
Guatemala (See note A.2.2.)	**na**	10.2
Honduras (See note A.2.2.)	**na**	11.0
Paraguay	**9.3**	10.1
Rwanda	**14.6**	13.1
Senegal	**14.0**	13.9
Tanzania	**14.3**	13.8

E.2. Property, plant and equipment

E.2.1. Accounting for property, plant and equipment

Items of property, plant and equipment are stated at either historical cost, or the lower of fair value and present value of the future minimum lease payments for assets under finance leases, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognized.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible.

Estimated useful lives	Years
Buildings	40 years or lease period, if shorter
Networks (including civil works)	5 to 15 years or lease period, if shorter
Other	2 to 7

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Construction in progress consists of the cost of assets, labor and other direct costs associated with property, plant and equipment being constructed by the Group, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Ongoing routine repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

Costs of major inspections and overhauls are added to the carrying value of property, plant and equipment and the carrying amount of previous major inspections and overhauls is derecognized.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises (for example set-top boxes), is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset when it is probable that such costs will contribute to future economic benefits for the Group and the costs can be measured reliably.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.2.2. Movements in tangible assets

Movements in tangible assets in 2016 (US$ millions)	**Network equipment[iii]**	**Land and buildings**	**Construction in progress**	**Other[i]**	**Total**
Opening balance, net	**2,476**	**149**	**431**	**142**	**3,198**
Additions	**45**	**—**	**632**	**5**	**683**
Impairments	**(2)**	**—**	**(2)**	**(4)**	**(7)**
Disposals, net	**(11)**	**—**	**(3)**	**—**	**(14)**
Depreciation charge	**(677)**	**(12)**	**—**	**(58)**	**(747)**
Asset retirement obligations	**15**	**2**	**—**	**—**	**17**
Transfers	**775**	**9**	**(814)**	**62**	**31**
Transfers from/(to) assets held for sale (see note E.3.)	**(123)**	**(5)**	**(2)**	**(9)**	**(139)**
Exchange rate movements	**27**	**3**	**9**	**(4)**	**36**
Closing balance, net	**2,525**	**147**	**250**	**135**	**3,057**
Cost or valuation	**6,138**	**185**	**250**	**474**	**7,047**
Accumulated amortization and impairment	**(3,613)**	**(38)**	**—**	**(339)**	**(3,990)**
Net at 31 December 2016	**2,525**	**147**	**250**	**135**	**3,057**

Movements in tangible assets in 2015 (US$ millions)	Network equipment[iii]	Land and buildings	Construction in progress	Other[i]	Total
Opening balance, net	3,749	193	490	319	4,751
Change in the Group (see note A.1.2.)[ii]	22	6	4	—	32
Additions	103	4	962	34	1,103
Effect of deconsolidation [iv]	(850)	(18)	(122)	(40)	(1,030)
Impairments	(33)	—	(5)	(1)	(39)
Disposals, net	(9)	(2)	—	(4)	(15)
Depreciation charge	(952)	(15)	—	(108)	(1,075)
Asset retirement obligations	6	3	—	—	9
Transfers	916	12	(956)	28	—
Transfers from/(to) assets held for sale	9	—	—	—	9
Exchange rate movements	(485)	(34)	58	(86)	(547)
Closing balance, net	2,476	149	431	142	3,198
Cost or valuation	5,692	182	431	448	6,753
Accumulated amortization and impairment	(3,216)	(33)	—	(306)	(3,555)
Net at 31 December 2015	2,476	149	431	142	3,198

(i) "Other" mainly includes office equipment and motor vehicles.
(ii) Comparative information has been restated compared to the information presented in the 2015 consolidated financial statement due to the finalization of Zantel's purchase accounting (note A.1.2.).
(iii) The net carrying amount of network equipment under finance leases at 31 December 2016 was US$245 million (2015: US$258 million).
(iv) See note A.2.2.

Borrowing costs capitalized for the years ended December 31, 2016 and 2015 were not significant.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

E.2.3. Cash used for the purchase of tangible assets

Cash used for property, plant and equipment additions (US$ millions)	2016	2015
Additions	**683**	1,103
Change in advances to suppliers	**(16)**	8
Change in accruals and payables for property, plant and equipment	**51**	(62)
Vendor financing and finance leases	**1**	(30)
Cash used from continuing operations for additions	**719**	1,019

E.3. Assets held for sale

If Millicom decides to sell subsidiaries, investments in joint ventures or associates, or specific non-current assets in its businesses, these items qualify as assets held for sale if certain conditions are met.

E.3.1. Classification of assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through sale, not through continuing use. Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

E.3.2. Millicom's assets held for sale

(US$ millions)	2016	2015
Tower assets held for sale	**5**	—
4G Spectrum (UNE) held for sale	**—**	12
Liabilities directly associated with assets held for sale	**—**	—
Net assets held for sale	**5**	12

Oasis S.A.

On 8 February 2016, Millicom announced that it had signed an agreement for the sale of its businesses in the Democratic Republic of Congo (DRC) to Orange S.A. for a total cash consideration of US$160 million adjusted for working capital movements and including US$10 million of cash hold-back subject to the completion of the disposal of the Mobile Financial Services business (DRC Mobile Cash). The transaction was completed in respect of the mobile business (Oasis S.A.) on 20 April 2016 and includes certain indemnity and warranty clauses as well as other expenses directly linked with the disposal, which have been provided for as of 31 December 2016. See note A 4.1. The separate disposal of DRC Mobile Cash was completed in September 2016. As a result, US$10 million of the cash hold-back was received in October 2016.

In accordance with IFRS 5, the Group's businesses in DRC have been classified as assets held for sale as from 8 February 2016 and their results were classified as discontinued operations. The following assets and liabilities were held for sale in relation to Oasis S.A. as at the date of disposal:

Assets and liabilities reclassified as held for sale – Oasis S.A. (US$ millions)	20 April 2016
Intangible assets, net.	**58**
Property, plant and equipment, net	**133**
Other non-current assets	**11**
Current assets	**42**
Cash and cash equivalents	**33**
Total assets of disposal group held for sale	**277**
Non-current financial liabilities	**44**
Current liabilities	**84**
Total liabilities of disposal group held for sale	**128**
Net assets	**149**

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

E.3.2. Millicom's assets held for sale – continued

Comparative figures of the income statement have been represented accordingly. Financial information relating to the discontinued operations for the year ended 31 December 2016 and 2015 is set out below.

The sale of Oasis S.A. generated a cash inflow of US$147 million, net of US$33 million of cash disposed.

Results from discontinued operations (US$ millions)	**31 December 2016**	31 December 2015
Revenue	**40**	158
Cost of sales	**(15)**	(60)
Operating expenses	**(20)**	(108)
Depreciation and amortization	**(3)**	(40)
Other operating profit income expense, net	**—**	(2)
Operating profit (loss)	**2**	(53)
Interest income (expense), net	**(2)**	(17)
Profit (loss) before taxes	**1**	(70)
Credit (charge) for taxes, net	**6**	(13)
Results from discontinued operations	**6**	(83)
Gross gain on disposal of discontinued operations	**32**	—
Other expenses linked to the disposal of discontinued operations	**(19)**	—
Net gain (loss) on disposal of discontinued operations	**13**	—
Net profit (loss) from discontinued operations	**19**	(83)

Cash flows from discontinued operations (US$ millions)	**31 December 2016**	31 December 2015
Cash used in operating activities, net	**(3)**	(20)
Cash used in investing activities, net	**(1)**	(26)
Cash provided by financing activities, net	**—**	49
Net cash inflows/(outflows)	**(4)**	3

Mobile Cash DRC

The sales agreement also included the separate disposal of Mobile Cash DRC, which was completed late 2016. The cash inflow and the loss from the disposal of this operation was not material for the Group.

4G Spectrum (UNE)

During 2016, the 4G spectrum in Colombia has been reclassified from "Assets held for sale" to intangible assets as the value of the spectrum will not be recovered through sale, but through use. A depreciation catch-up has been recorded for US$11 million. In October 2016, the date on which UNE stopped rendering 4G services, the 4G spectrum was fully depreciated.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

F. Other assets and liabilities

F.1. Trade receivables

Millicom's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as B2B customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

(US$ millions)	2016	2015
Gross trade receivables	**593**	599
Less: provisions for impairment of receivables	**(206)**	(201)
Trade receivables, net	**387**	398

Ageing of trade receivables (US$ millions)	Neither past due nor impaired	Past due (net of impairments) < 30 days	30–90 days	>90 days	Total
2016:					
Telecom operators	**26**	**14**	**11**	**1**	**52**
Own customers	**121**	**48**	**77**	**6**	**252**
Others	**57**	**19**	**5**	**2**	**83**
Total	**204**	**81**	**93**	**9**	**387**
2015:					
Telecom operators	32	20	14	1	67
Own customers	153	54	48	—	255
Others	52	14	6	4	76
Total	237	88	68	5	398

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 the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. 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 consolidated income statement within "Cost of sales".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing more than 12 months after the end of the reporting period. These are classified within non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

F.2. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories (US$ millions)	2016	2015
Telephone and equipment	**32**	59
SIM cards	**7**	7
IRUs	**6**	—
Other	**17**	14
Inventory at 31 December 2016	**62**	80

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

F.3. Trade payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method where the effect of the passage of time is material.

From time to time, the Group enters into agreements to extend payment terms with various suppliers, and with factoring companies when such payments are discounted. The corresponding amount pending payment as of 31 December 2016, is recognized in "Trade payables" for an amount of US$20 million.

F.4. Current and non-current provisions and other liabilities

Provisions are recognized when the Group has 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 the Group expects 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.

F.4.1. Current provisions and other liabilities

Current (US$ millions)	**2016**	2015
Deferred revenue	**112**	121
Customer deposits	**9**	8
Current legal provisions	**12**	20
Tax payables	**44**	60
Customer and MFS distributor cash balances	**139**	130
Witholding tax on payments to third parties	**17**	—
Other provisions	**10**	18
Other current liabilities	**134**	130
Total	**477**	487

F.4.2. Non-current provisions and other liabilities

Non-current (US$ millions)	**2016**	2015
Non-current legal provisions	**28**	24
Long-term portion of asset retirement obligations	**78**	66
Long-term portion of deferred income on tower sale and leasebacks	**18**	24
Long-term employment obligations	**76**	56
Other non-current liabilities	**85**	73
Total	**285**	243

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

G. Additional disclosure items
G.1 Fees to auditors

(US$ millions)	2016	2015
Audit fees	**4.3**	4.7
Audit related fees	**0.3**	0.3
Tax fees	**0.2**	0.3
Other fees	**1.8**	0.9
Total	**6.6**	6.2

G.2. Capital and operational commitments
Millicom has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital commitments
At 31 December 2016 the Company and its subsidiaries and joint ventures had fixed commitments to purchase network equipment, land and buildings, other fixed assets and intangible assets of US$179 million of which US$162 million are due within one year (December 31, 2015: US$216 million of which US$203 million are due within one year). Out of these commitments, respectively US$17 million and US$14 million related to Millicom's share in joint ventures. (December 31, 2015: US$33 million of which US$27 million are due within one year).

G.2.2 Lease commitments
Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and involves an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether or not the arrangement conveys a right to use the asset. The sale and leaseback of towers and related site operating leases and service contracts are accounted for in accordance with the underlying characteristics of the assets, and the terms and conditions of the lease agreements. On transfer to the tower companies, the portion of the towers leased back are accounted for as operating leases or finance leases according to the criteria set out above. The portion of towers being leased back represents the dedicated part of each tower on which Millicom's equipment is located and was derived from the average technical capacity of the towers. Rights to use the land on which the towers are located are accounted for as operating leases, and costs of services for the towers are recorded as operating expenses.

Operating leases
Operating leases are all other leases that are not finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2016 was US$135 million (2015: US$191 million – see note B.2.).

Annual operating lease commitments (US$ millions) from continuing operations	2016(i)	2015
Within one year	**131**	111
Between one and five years	**371**	310
After five years	**225**	214
Total	**727**	635

(i) Joint ventures operating lease commitments amount to US$210 million (2015: US$219 million) and are excluded from the table above.

Finance leases
Finance leases, which transfer substantially all risks and benefits incidental to ownership of the leased item to the lessee, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term. Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets, or the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.2.2 Lease commitments – continued

Finance leases mainly comprise lease of tower space in Ghana, Tanzania and Colombia (see note C.3.3.), lease of poles in Colombia and tower sharing in other countries. Other financial leases mainly consist of lease agreements relating to vehicles and IRUs.

Annual minimum finance lease commitments (US$ millions)	**2016**(i)	2015
Within one year	**81**	82
Between one and five years	**330**	346
After five years	**353**	416
Total	**764**	844

(i) Joint ventures finance lease commitments amount to US$nil (2015: nil) and are excluded from the table above.

The corresponding finance lease liabilities at 31 December 2016 were US$295 million (2015: US$336 million). Interest expense on finance lease liabilities amounts to US$66 million for the year 2016 (2015: US$63 million).

G.3. Contingent liabilities

G.3.1. Litigation and legal risks

The Company and its operations are contingently liable with respect to lawsuits and other legal risks that arise in the normal course of business. As of 31 December 2016, the total amount of claims and litigation risks against Millicom and its operations was US$406 million, of which US$3 million related to its share in joint ventures (31 December 2015: US$492 million, of which none related to its share in joint ventures).

As at 31 December 2016, US$43 million, of which US$1 million related to its share in joint ventures (31 December 2015: US$42 million, of which none related to its share in joint ventures), has been provided for litigation and legal risks in the consolidated statement of financial position. While it is not possible to ascertain the ultimate legal and financial liability with respect to these claims and risks, the ultimate outcome is not anticipated to have a material effect on the Group's financial position and operations.

In June 2016, Millicom was served with claims by a third party seeking monetary damages in the amount of US$4.6 million and seeking to exert rights as a shareholder of Millicom Tanzania Ltd (Tigo Tanzania). In June 2015, Millicom identified that an incorrect filing related to Tigo Tanzania had been made in the commercial register, causing the register to incorrectly indicate that shares in the local subsidiary were owned by this third party. Millicom remains engaged in legal proceedings regarding this issue. Millicom believes that these claims are entirely without merit and, moreover, maintains that there is no valid basis whatsoever for any third party to claim any interest in Tigo Tanzania or be registered as one of its shareholders. Accordingly Millicom continues to fully consolidate Tigo Tanzania at 100%.

The following specific risks are excluded from the US$406 million above:

Colombia

A claim filed with the Civil Chamber of Bogota in Colombia against all mobile operators in Colombia in 2013, including our subsidiary in Colombia, by a group of approximately 20 individuals of approximately US$794 million. The claimants allege damages and losses suffered from third parties through illegal use of cellular phones in extortion attempts against the claimants.

The case has been inactive, with the exception of a mandatory settlement conference held among the parties under the court's supervision, which did not result in a settlement agreement. This claim is considered by management to be entirely spurious and without foundation or substance. As a result, no provision has been made for this claim.

Other

At 31 December 2016 Millicom has various other less significant claims which are not disclosed separately in these consolidated financial statements.

Potential improper payments on behalf of the Guatemala joint venture

On 21 October 2015, Millicom reported to law enforcement authorities in the United States and Sweden potential improper payments made on behalf of the Company's joint venture in Guatemala. On 4 May 2016, Millicom received notification from the Swedish Public Prosecutor that its preliminary investigation has been discontinued on jurisdictional grounds. Millicom continues to cooperate with law enforcement authorities in the United States. As at 31 December 2016, the matter is still under investigation and Management has not been able to assess the potential impact on these consolidated financial statements of any remedial actions that may need to be taken as a result of the investigations, or penalties that may be imposed by law enforcement authorities. Accordingly, no provision has been recorded as of 31 December 2016.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.3.2. Tax related risks and uncertain tax position

The Group operates in developing countries where the tax systems, regulations and enforcement processes have varying stages of development creating uncertainty regarding application of tax law and interpretation of tax treatments. The Group is also subject to regular tax audits in the countries where it operates. When there is uncertainty over whether the taxation authority will accept a specific tax treatment under the local tax law, that tax treatment is therefore uncertain. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and, in some cases, it is difficult to predict the ultimate outcome. Therefore, judgment is required to determine provisions for taxes.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Group assumes that a taxation authority with the right to examine amounts reported to it will examine those amounts and have full knowledge of all relevant information when making those examinations.

The Group has a process in place to identify its uncertain tax positions. Management then considers whether or not it is probable that a taxation authority will accept an uncertain tax treatment. On that basis, the identified risks are split into three categories (i) remote risks (risk of outflow of tax payments are 0–20%), (ii) possible risks (risk of outflow of tax payments are 21% to 49%) and probable risks (risk of outflow is more than 50%). The process is repeated every quarter by the Group.

If the Group concludes that it is probable or certain that the taxation authority will accept the tax treatment, the risks are categorized either as possible or remote, and it determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. The risks considered as possible are not provisioned but disclosed as tax contingencies in the Group consolidated financial statements while remote risks are neither provisioned nor disclosed.

If the Group concludes that it is probable that the taxation authority will not accept the Group's interpretation of the uncertain tax treatment, the risks are categorized as probable, and it reflects the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates by generally using the most likely amount method – the single most likely amount in a range of possible outcomes.

If an uncertain tax treatment affects both deferred tax and current tax, the Group makes consistent estimates and judgments for both. For example, an uncertain tax treatment may affect both taxable profits used to determine the current tax and tax bases used to determine deferred tax.

If facts and circumstances change, the Group reassesses the judgments and estimates regarding the uncertain tax position taken.

At 31 December 2016 potential tax risks estimated by the Group amount to US$311 million of which provisions of US$65 million have been recorded representing the probable amount of eventual claims and required payments related to those risks (2015: US$369 million of which provisions of US$86 million were recorded). Out of these potential claims and provisions, respectively US$96 million (2015: US$76 million) and US$9 million (2015: US$9 million) related to Millicom's share in joint ventures.

G.4. Non-cash investing and financing activities

Non-cash investing and financing activities from continuing operations (US$ millions)	Note	2016	2015
Investing activities			
Acquisition of property, plant and equipment	E.2.2.	**35**	(54)
Asset retirement obligations	E.2.3.	**(17)**	(9)
Financing activities			
Vendor financing and finance leases	G.2.2.	**—**	30
Share based compensation	B.4.1.	**14**	19

G.5. Related party balances and transactions

The Company conducts transactions with certain related parties on normal commercial terms and conditions. The Group's significant related parties are:

Kinnevik AB ("Kinnevik") and subsidiaries, Millicom's principal shareholder.

Tower companies in Ghana, DRC, Tanzania (until October 2015), and in Helios Towers Africa Ltd (since October 2015), in which Millicom holds a direct or indirect equity interest (see note A.3.2.).

EPM and subsidiaries, the non-controlling shareholder in our Colombian operations (see note A.1.2.).

Miffin Associates Corp and subsidiaries, our joint venture partner in Guatemala.

Notes to the consolidated financial statements

for the year ended 31 December 2016 – continued

G.5. Related party balances and transactions – continued

Kinnevik

Millicom's principal shareholder is Kinnevik. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper and financial services industries. At 31 December 2015, Kinnevik owned approximately 38% of Millicom (2015: 38%). During 2016 and 2015, Kinnevik did not purchase any Millicom shares. There are no significant loans made by Millicom to or for the benefit of Kinnevik or Kinnevik controlled entities.

During 2015 and 2014 the Company purchased services from Kinnevik subsidiaries including fraud detection, procurement and professional services.

Helios Towers

Millicom acquired 40% shareholdings in Helios Towers Ghana, Helios Towers Tanzania and Helios Towers DRC as part of the compensation agreed for the sale and lease back of its towers in those countries. Millicom sold its tower assets and leased back a portion of space on the towers in each of these countries and contracted for related operation and management services. As described in note A.3.2., as a result of a reorganization, Millicom has exchanged shares which were previously held in HTA's tower companies in Ghana, DRC and Tanzania, into shares in HTA's parent company and retains a significant influence on HTA. The Group has future lease commitments in respect of the tower companies (see note G.2.2.).

Miffin Associates Corp ("Miffin")

The Group purchases and sells products and services from Miffin Group. Transactions with Miffin represent recurring commercial operations such as purchase of handsets, and sale of airtime.

Expenses from transactions with related parties (US$ millions)	**2016**	2015
Purchases of goods and services from Kinnevik	**7**	3
Purchases of goods and services from Miffin	**167**	148
Purchases of goods and services from EPM	**22**	17
Lease of towers and related services from Helios(i)	**35**	36
Other expenses	**2**	2
Total	**233**	206

Income and gains from transactions with related parties (US$ millions)	**2016**	2015
Sale of goods and services to EPM	**18**	19
Sale of goods and services to Miffin	**261**	253
Other revenue	**10**	4
Total	**289**	276

(i) Until acquisition/disposal date.

As at 31 December the Company had the following balances with related parties:

US$ millions	**Year ended 31 December 2016**	Year ended 31 December 2015
Liabilities		
Payables to Guatemala(i)	**245**	335
Payables to Honduras(ii)	**118**	225
Finance lease liabilities to tower companies(iii)	**85**	122
Payables to EPM	**3**	66
Other accounts payable	**20**	18
Total	**471**	766

(i) Shareholder loans
(ii) Amounts payable mainly consist in dividend advances. Dividend is expected to be declared in 2017.
(iii) Disclosed under "Debt and other financing" in the statement of financial position.

Notes to the consolidated financial statements
for the year ended 31 December 2016 – continued

G.5. Related party balances and transactions – continued

US$ millions	Year ended 31 December 2016	Year ended 31 December 2015
Assets		
Receivables from EPM	**4**	5
Loan to Helios Towers Tanzania	**10**	7
Other accounts receivable	**3**	4
Total	**17**	16

H. IPO – Millicom's operations in Tanzania
In June 2016, an amendment to the Electronic and Postal Communications Act ("EPOCA") in the Finance Act 2016 requires all licensed telecom operators to sell 25% of the authorized share capital in a public offering on the Dar Es Salaam Stock Exchange by 31 December 2016. As of 31 December 2016, no licensed operator had completed a public offering, including Millicom's license holding subsidiaries, Millicom Tanzania, Zantel and Telesis. On 13 January 2017, Millicom Tanzania, Zantel and Telesis each received from the Tanzanian Communications Regulatory Authority ("TCRA") a notice of material breach of the license giving 30 days to comply. Millicom has signaled its intention for its subsidiaries to comply with the law and list its businesses but will not be in a position to complete public offerings by such time or in the near future. Accordingly, Millicom's businesses in Tanzania may face sanctions from the regulator or other government bodies, which could include financial penalties, or even suspension or cancellation of its license. Management is currently not able to assess the financial impact on its consolidated financial statements (although the Company deems the suspension or cancellation of the license is unlikely) and therefore no provision has been recorded as of 31 December 2016.

I. Subsequent events
Dividend
On 7 February 2017 Millicom's Board decided to propose to the Annual General Meeting of the Shareholders a dividend distribution of US$2.64 per share to be paid out of Millicom profits for the year ended 31 December 2016 subject to the Board's approval of the 2016 Consolidated Financial Statements of the Group.

TV Cable Parana
On 6 January 2017, after obtaining the necessary regulatory approvals, Tigo Paraguay completed the acquisition of TV Cable Parana for a total consideration of US$19 million.

Tigo Senegal and HTA
We have agreed to sell our business in Senegal to Wari Group, subject to regulatory approvals. The transaction represents an enterprise value for Tigo Senegal of US$129 million. We have also initiated a process to sell our 22% stake in Helios Towers Africa.

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 IFRS 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 numbers	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.

Additional information – continued

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.

Consolidated statement of income

US$ millions	Year ended 31 December 2016 Management reporting (Unaudited)	Guatemala and Honduras	JV adjustment	Year ended 31 December 2016 IFRS (Audited)
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 & amortization	(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 before tax	239	(283)	115	71
Net tax credit (charge)	(251)	72		(180)
Profit (loss) for the year	(13)	(212)	115	(109)
Profit (loss) from discontinued operations	19	—		19
Non-controlling interests	(38)	96		58
Net profit (loss) for the year	(32)	(115)	115	(32)

Consolidated statement of financial position

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Assets			
Non-current 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	—	2,945	2,945
Investments in associates	331	—	331
Deferred tax assets	175	(9)	166
Amount due from non-controlling interests, associates and joint ventures	1	(1)	—
Derivative financial instruments	32	—	32
Other non-current assets	74	(2)	72
Total non-current assets	9,434	(1,473)	7,961
Current assets			
Inventories, net	82	(20)	62
Trade receivables, net	481	(94)	387
Amounts due from non-controlling interests, associates and joint venture partners	269	(252)	17
Prepayments and accrued income	209	(39)	171
Current income tax assets	111	(10)	101
Supplier advances for capital expenditure	48	(25)	23
Other current assets	142	(33)	110
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	—	5
Total assets	11,884	(2,257)	9,627

Additional information – continued

Consolidated statement of financial position – continued

US$ millions	31 December 2016 Management reporting (Unaudited)	IFRS adjustments	31 December 2016 IFRS (Audited)
Equity and liabilities			
Equity			
Share capital and premium	638	—	638
Treasury shares	(123)	—	(123)
Option reserves	(749)	188	(562)
Retained profits	3,243	4	3,247
Profit (loss) for the year attributable to equity holders	(32)	—	(32)
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
Liabilities			
Non-current liabilities			
Debt and financing	5,147	(1,327)	3,821
Derivative financial instruments	84	—	84
Amounts due to associates and joint venture partners	1	112	113
Provisions and other non-current liabilities	352	(65)	286
Deferred tax liabilities	159	(101)	57
Total non-current liabilities	5,742	(1,381)	4,361
Current liabilities			
Debt and financing	143	(63)	80
Payables and accruals for capital expenditure	416	(90)	326
Other trade payables	322	(24)	297
Amounts due to non-controlling interests, associates and joint ventures	2	271	273
Accrued interest and other expenses	532	(157)	376
Current income tax liabilities	79	(11)	68
Provisions and other current liabilities	577	(99)	477
Total current liabilities	2,070	(173)	1,898
Liabilities directly associated with assets held for sale	—	—	—
Total liabilities	7,812	(1,554)	6,258
Equity and liabilities	11,884	(2,257)	9,627

Consolidated statement of cash flows

US$ millions	Year ended 31 December 2016 (Unaudited)	IFRS adjustments	Year ended 31 December 2016 IFRS (Audited)
Cash flows from operating activities (including discontinued operations)			
Profit (loss) before taxes from continuing operations	239	(168)	71
Profit (loss) for the year from discontinued operations	13	—	13
Profit (loss) before taxes	251	(168)	83
Net cash provided by operating activities	1,476	(598)	878
Net cash used in investing activities	(936)	385	(552)
Net cash from (used by) financing activities	(521)	80	(441)
Exchange impact on cash and cash equivalents, net	(8)	—	(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 year	947	(301)	646

Additional information – continued

Organic growth adjustments

Group revenue	Q4 2016	Q4 2015	12M 2016	12M 2015
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 2016	Q4 2015	12M 2016	12M 2015
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 2016	Q4 2015	12M 2016	12M 2015
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%)

Millicom
For further information please contact:
investors@millicom.com

millicom.com

Designed by
FleishmanHillard Fishburn
www.fhflondon.co.uk

Cover and divider photography
Richard Davies

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