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Press Release



MILlicom
THE DIGITAL LIFESTYLE

Millicom and EPM reach principal agreement

- Millicom and EPM conclude principal negotiations on structure and key terms for the combination of Millicom's Colombian operations with fixed-line company UNE to create an integrated digital player
- The combination represents an attractive opportunity to continue Millicom's strategic transformation into a diversified digital player and to migrate towards the target of doubling revenue by 2017 and increasing profit
- The proposed combination is expected to be accretive to Millicom FCF in 2014. Synergies of over \$600 million of NPV have been identified
- Transaction is subject to negotiation of final terms and conditions, receipt of regulatory and government approvals and the satisfaction of customary closing conditions

Stockholm, July 22, 2013 – Millicom, the international telecommunications and media company (Stockholmsbörsen: MIC) and Empresas Públicas de Medellín E.S.P. ('EPM'), the largest public service company in Colombia, announced today that they have reached an agreement in principle on the structure and key terms for the combination of their respective mobile, TV, broadband and telephony businesses to create a leading digital lifestyle company in Colombia.

The integrated company would be expected to:

- Create a business to offer a comprehensive range of bundled digital services to millions of households including mobile and fixed telephony, mobile and fixed broadband and payTV
- Exploit the complementary geographic coverage and commercial offerings of UNE and Tigo
- Implement a key component of Millicom's strategy to double revenue by 2017 and increase profits

Key factors in the decision to undertake the combination are the sustained growth of the Colombian economy, particularly in its telecommunications and media sectors, as well as the country's favourable business climate, combined with the high complementarity and quality of UNE EPM Telecomunicaciones S.A ('UNE') and Colombia Movil S. A. ESP ('Tigo Colombia').

We believe in better. We believe in **tigo**

Colombia is one of the best performing economies in Latin America.

Millicom first invested in Colombia in 2006, when the company acquired a controlling stake in Colombia Movil S. A. ESP. The company was later on rebranded Tigo, which is now one of the top 10 most well-known consumer brands in Colombia*. Since then, the Colombian economy expanded at an average rate of over 4% per annum, while our mobile business grew revenue by an average of 10.7% per year (CAGR 2007-12). In the second quarter of 2013, our growth in Colombia reached 19%. Millicom's market share in Colombia grew from 8% to 13% in mobile telephony under Millicom's operational management.

Colombia is not only an attractive economy for Millicom but it is also one of the largest markets Millicom serves. Additionally, with 55% of the Colombian people aged below 30 years old, Colombia is also particularly well suited for the offering of digital lifestyle services to early adopters of new technologies and an attractive location for Millicom to recruit talents.

The combination fits well within Millicom's strategy to pursue fixed/mobile convergence.

At Millicom we believe in a customer-centric approach. We aim to offer customers the best possible access and content at home or on the move. We first invested in cable in our mobile lead markets of Central America in 2008. In 2012, we further expanded our reach to Paraguay.

We will also gain scale in the pay TV market, more than doubling the number of homes receiving content and entertainment from Millicom/ Tigo. Overall for Millicom, RGUs at our Cable & Digital Media division will increase from 1.1 million to 5.4 million. This material increase in size will generate economies of scale over time. The savings will enable Millicom to increase the profitability of its Latin American cable business while at the same time investing in attractive content.

Creation of a leading integrated player in Colombia.

Through the proposed combination of UNE and Tigo Colombia, EPM and Millicom expect to create a leading convergent operator, offering mobile, broadband at home and on the move, pay TV and fixed services. By joining forces and combining resources, the two companies will offer Colombian consumers the full range of products they demand, challenging established players. The integrated company would have over 8.4 million connections with households and mobile customers.

On a pro forma basis, in 2012 the combined company would have had revenues of \$2,009 million and EBITDA of \$531million in 2012. Free Cash flow generation in 2012 would have been \$185 million.

High complementarity in product offering and geographic strengths is expected to boost revenue growth.

Tigo Colombia is the leading provider of mobile telephony in the Atlantic Coast region where 2.4 million people live and fixed broadband penetration is less than 31%. UNE is the provider of choice in the Northwest region, called Antioquia, and where 6.3 million people live. Tigo market share in mobile in Antioquia is well below UNE's market share in broadband and fixed telephony in this region. The integrated company is therefore expected to have significant opportunities to cross-sell products and services in each other's areas of strength, without undermining its own businesses.

Value accretive transaction for Millicom shareholders.

The proposed transaction implies an enterprise valuation of Tigo Colombia (pre deal) equal to approximately \$1.3 billion, and an enterprise valuation of UNE (pre deal and including UNE affiliates) of approximately \$2.1 billion.

The transaction is expected to generate a ROIC above the country WACC 5 years after closing, i.e. over a period of time which is well within Millicom's self-imposed target of 7-10 years in the case of external growth.

Millicom and EPM have identified cost and capex synergies equivalent to a net present value of over \$600 million (after integration costs). The costs and capex savings are expected to be essentially derived from network and IT integration and procurement efficiencies. The integration costs are expected to amount to \$105 million in the first three years following closing, of which \$45 million in the first year.

The proposed transaction is expected to be accretive to Millicom's FCF in 2014. Starting in 2017, the FCF synergies are expected to exceed \$100 million per annum.

Commenting on the strategic rationale for the proposed combination, Juan Esteban Calle, CEO of EPM indicated:

"We are pleased that our discussions with Millicom have led to an agreement that is consistent with the terms of the authorization we received from the City Council of Medellín. We believe that the proposed combination will lead UNE EPM to improve its competitive position in the telecommunications industry, a sector we consider strategic for the economic development of Medellín, Antioquia and Colombia. The integrated company will be headquartered in Medellín. Our and Millicom's markets and strengths are naturally complementary and there is a close fit in corporate values such as transparency, social responsibility and customer focus. A stronger position in the telecommunications market would accelerate the implementation of our strategy to become the partners of choice of all Colombian regions in their quest for better services for their citizens and more developed and equitable territories."

Millicom President and CEO, Hans-Holger Albrecht further commented:

"Millicom has enjoyed a great relationship with EPM as partners in Tigo Colombia for many years. Tigo is now a top brand in Colombia, well-known for its innovation and leading position in mobile data. To complement this, UNE is one of the leaders in the fixed broadband market and the number two in pay-TV. Combining these services would create a strong competitor that will help drive Colombia's digital growth. We look forward to working with EPM and UNE to complete this transaction and, if the regulatory process allows, begin the integration of our and UNE's services so we can get on with the business of providing a highly attractive and innovative service to the people of Colombia."

Management and governance of the combined company

In accordance with the approval granted by Medellín's City Council, EPM would hold a majority equity interest in the combined company, owning 50% and 1 share of the outstanding shares; with Millicom owning the remaining outstanding shares. Because of the nature and terms of the ownership structure and shareholders' agreement between the parties, Millicom would assume operational and administrative control and full consolidation of the integrated entity from closing.

The new company Board of Directors would be composed of seven representatives, of which four appointed by Millicom and three by EPM. EPM would have the right to nominate the Chairman of

the Board and of the Audit Committee while Millicom would have the right to appoint the management team of the combined company.

Financial implications of the proposed transaction

Through the proposed combination, Millicom net debt will increase by a total consideration of around \$1.1 billion as the new combined company will be fully consolidated by Millicom upon closing of the transaction. This will equate to a Net Debt/Group EBITDA of around 1.5x (based on the last 12 months for Millicom Group EBITDA before corporate costs and including UNE and its current associates pro forma contribution).

All mid-term outlooks communicated by Millicom at its Capital Markets Day remain unchanged.

Timing of the proposed transaction

The parties expect to execute definitive transaction documentation by the end of the third quarter of 2013 and to complete the proposed transaction by the end of the first quarter of 2014, subject to regulatory, government and bondholders' approvals being received as expected.

Additional background information:

On February 5, 2013, Millicom and EPM announced that they had entered into exclusive discussions with respect to the potential combination of their mobile, TV, broadband and telephony businesses in Colombia.

Millicom currently owns 50% and one share of Colombia Móvil S.A. ESP ('Tigo Colombia'). UNE and Empresa de Telecomunicaciones de Bogotá S.A. ('ETB') each currently control 25% of the company. Tigo Colombia is the third largest mobile company in Colombia, with over six million customers.

EPM currently controls 99.9% of the shares of UNE EPM Telecomunicaciones S.A. ('UNE'). At the end of June 2013, UNE, combined with its affiliates EDATEL and ETP, was one of the leading providers of fixed broadband, telephony and pay TV services in Colombia, with close to 1.3 million fixed broadband customers, 1.1 million pay TV customers and 1.6 million fixed telephony users. UNE's fixed network covers in excess of 2.6 million homes with HFC, predominantly in the cities of Medellín, Pereira, Manizales and several other municipalities in the department of Antioquia, out of 13 million households nationwide. The company, with its affiliates provided at end of June services to a total of 2.3 million households.

For the full year 2012 and under IFRS accounting standards, UNE would have reported net revenues of approximately \$1,007m, EBITDA** of approximately \$256m, EBIT of approximately \$(46)m, pre-tax loss of approximately \$119m and a net loss of \$113m.

For the full year 2012, UNE's associates EDATEL and ETP generated jointly revenues of \$156m and EBITDA of \$48m. These businesses were not fully consolidated by UNE in 2012.

(*) *Financial Times Special Report: Latin American Brands June 21, 2012*

(**) *EBITDA is measured following similar practices for both companies, in line with Millicom's accounting standards*

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About Millicom

Millicom is a leading international telecommunications and media company dedicated to emerging markets in Latin America and Africa. Millicom sets the pace when it comes to providing digital lifestyle services to the world's emerging markets, giving access to the world, primarily through mobile devices. Operating in 15 countries, Millicom offers innovative and customer-centric products. The Millicom Group employs more than 10,000 people and provides mobile services, access to the internet, content and financial services to over 47 million customers. Founded in 1990, Millicom International Cellular SA is headquartered in Luxembourg and listed on NASDAQ OMX Stockholm under the symbol MIC. In 2012, Millicom generated revenue of USD 4.81 billion and EBITDA of USD 2.07 billion.

This press release contains "forward-looking statements", which are statements that are not historical facts, including statements concerning the parties' ability to complete the proposed transaction; the anticipated timing of the proposed transaction; the expected benefits and costs of the proposed transaction; management plans relating to the proposed transaction; any statements of operations, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Any statement in this announcement that expresses or implies any party's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. Forward-looking statements involve inherent risks, uncertainties and assumptions which could cause actual results to differ materially from those expressed or implied by such forward-looking statements and assumptions. The forward-looking statements contained in this announcement are made as of the date hereof, and each party expressly disclaims any obligation to update or correct any forward-looking statements made herein due to the occurrence of events after the issuance of this announcement. This announcement is for informational purposes only and is not an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.