

Notes to the consolidated financial statements as of December 31, 2008, 2007 and 2006	Millicom International Cellular S.A.
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1. 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 a global telecommunications group with mobile telephony operations in the world's emerging markets. It also operates cable and broadband businesses in five countries in Central America. The Group was formed in December 1990 when Investment AB Kinnevik ("Kinnevik"), formerly named Industriförvaltnings AB Kinnevik, a company established in Sweden, and Millicom Incorporated ("Millicom Inc."), a corporation established in the United States of America, contributed their respective interests in international mobile joint ventures to form the Group.

As of December 31, 2008, Millicom had 16 mobile operations in 16 countries focusing on emerging markets in Central America, South America, Africa and Asia. Millicom operates its mobile businesses in El Salvador, Guatemala and Honduras in Central America; in Bolivia, Colombia and Paraguay in South America; in Chad, the Democratic Republic of Congo, Ghana, Mauritius, Senegal, Sierra Leone and Tanzania in Africa; and in Cambodia, Laos and Sri Lanka in Asia.

In 2008, Millicom acquired 100% interest in Amnet Telecommunications Holding Limited (see note 4), provider of broadband and cable television services in Costa Rica, Honduras and El Salvador, of fixed telephony in El Salvador and Honduras, and of corporate data services in the above countries as well as Guatemala and Nicaragua. In addition, in December 2008 Millicom was successful in the tender for the third national mobile license in Rwanda.

The Company's shares are traded on the NASDAQ National Market under the symbol MICC and on the Stockholm stock exchange under the symbol MIC. The Company has its registered office at 15, Rue Léon Laval, L-3372, Leudelange, Grand-Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

The Board of Directors approved these consolidated financial statements on March 24, 2009. The consolidated financial statements will be ratified by the Annual General Meeting.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group are presented in US dollars and all values are rounded to the nearest thousand (\$000) except when otherwise indicated. The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities that have been measured at fair value.

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, the consolidated financial statements for the year ended December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

As of December 31, 2008, International Financial Reporting Standards as adopted by the European Union are similar to those published by the International Accounting Standards Board ("IASB"), except for IAS 39 – *Financial Instruments* that has been partially adopted by the European Union, for IFRIC 12 – *Service Concession Arrangements* that has not been endorsed by the European Union and for new standards and interpretations that will be effective in future periods. Since the provisions that have not been adopted by the European Union are not applicable to the Group, the consolidated financial statements comply with both International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the IASB.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to exercise its judgment in the process of applying the Group's 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.2 Consolidation

The consolidated financial statements of the Group are comprised of the financial statements of the Company and its subsidiaries and joint ventures as at 31 December each year. The financial statements of the subsidiaries and joint ventures 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.

Subsidiaries

Subsidiaries are those entities including Special Purpose Entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of identifiable net assets of the subsidiary acquired, the difference is recognised directly to the consolidated statements of profit and loss (see accounting policy for Goodwill).

Minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statements of profit and loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the carrying value of the relevant share acquired of the net assets of the subsidiary.

Joint ventures

Millicom determines the existence of joint control by reference to the joint venture agreements, articles of association, structures and voting protocols of the Boards of Directors of those ventures.

Entities that are jointly controlled are consolidated using the proportionate method which only includes the Group's share of the assets, liabilities, income and expenses of the joint ventures in which the Group has an interest in the consolidated financial statements.

The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other parties in the joint venture. The Group does not recognise its share of profits or losses that results from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, the loss is recognised immediately.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated statements of profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.



2.3 Foreign currency translation

Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associates reflects the economic substance of the underlying events and circumstances of these entities. The Company is located in Luxembourg and its subsidiaries, joint ventures and associates operate in different currencies. The Group's consolidated financial statements are presented in U.S. dollar (the "presentation currency"). The functional currency of the Company is the U.S. dollar because of the significant influence of the U.S. dollar on its operations.

Transactions and balances

Transactions denominated in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognised in the consolidated statements of profit and loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss if applicable. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated statements of profit and loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as investments classified as available for sale are included in the fair value reserve in equity.

Translation into presentation currency

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- ii) Income and expenses for each income statement 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 recognised 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 borrowing and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statements of profit and loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The following is a table of the principal currency translation rates to the U.S. dollar as of December 31, 2008 and 2007 and the average rates for the year ended December 31, 2008.

Country	Currency	<u>2008</u> Average rate	<u>2008</u> Year-end rate	<u>2007</u> Year-end rate
Bolivia.....	Boliviano	7.25	7.03	7.64
Chad.....	CFA Franc	448.70	471.84	448.66
Colombia.....	Peso	1,994.75	2,249.50	2,017.23
Costa Rica.....	Colon Costa Rica	528.26	555.47	—
Ghana.....	Cedi	1.09	1.27	0.97
Guatemala.....	Quetzal	7.59	7.78	7.66
Honduras.....	Lempira	18.90	18.90	18.90
Laos.....	Kip	8,871.62	8,600.00	9,459.00
Luxembourg.....	Euro	0.68	0.72	0.69
Mauritius.....	Rupee	28.41	31.62	28.48



Nicaragua.....	Gold Cordoba	19.41	19.85	—
Paraguay.....	Guarani	4,373.46	4,885.00	4,750.01
Senegal.....	CFA Franc	448.70	471.84	448.66
Sierra Leone.....	Leone	2,983.24	3,042.23	2,977.59
Sri Lanka.....	Rupee	108.65	113.00	108.65
Sweden.....	Krona	6.63	7.86	6.47
Tanzania.....	Shilling	1,203.62	1,317.50	1,153.99

The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the cash flow statement in order to reconcile cash and cash equivalents at the beginning and end of the year.

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments (see note 9).

2.5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. 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 and is expected without significant cost. All repairs and maintenance expenditures are expensed as incurred.

Estimated useful lives are:

Buildings.....	40 years or life of lease if lower
Networks (including civil works).....	5 to 15 years
Other.....	2 to 7 years

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 balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress consists of the cost of assets, labour and other direct costs associated with property, plant and equipment being constructed by the Group. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and start to be depreciated.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the consolidated statements of profit and loss during the financial period in which they are incurred.

A liability for the present value of the cost to remove an asset on both owned and leased sites is recognised when a present obligation for the removal is established. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset.

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 result in future economic benefits for the Group and the costs can be measured reliably.



2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the income statement in the year in which expenditure is incurred. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statements of profit and loss 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 the identifiable assets less the liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate at the date of transaction. If the fair value of the identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can be determined only provisionally, then Millicom initially accounts for the goodwill using these provisional values. Within twelve months of the acquisition date, Millicom then recognises any adjustments to these provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the acquisition have been finally determined. Adjustments to the provisional fair values are made as if the adjusted fair values had been recognised from the acquisition date. Goodwill on acquisition of subsidiaries and joint ventures is included in "intangible assets, net". Goodwill on acquisition of associates is included in "investments in 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.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash generating units 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 so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (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 of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained. Impairment losses related to goodwill cannot be reversed in future periods.

Licenses

Licences are shown at historical cost unless acquired in a business combination where the cost is the fair value as at the date of acquisition. Licences have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of the 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 amortised from the date the network is available for use using the straight-line basis over periods of 5 to 20 years depending on the term of the license. Licenses held, subject to certain conditions, are usually renewable and are generally non-exclusive. When determining the useful life of the licenses, management usually does not consider renewal periods since there is no guarantee that the license will be renewed without significant cost (or at no cost). Under the terms of the respective licenses, the joint ventures and subsidiaries are generally entitled to enter into interconnection agreements with operators of both landline and other mobile networks.



Trademarks and subscriber bases

Trademarks and subscriber bases are recognised as intangible assets only when acquired in business combinations or ownership increase transactions in joint ventures. Their cost corresponds to the fair value as at the date of acquisition. Trademarks and subscriber bases have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks and subscriber bases over their estimated useful lives. The estimated useful life for trademarks and subscriber bases are based on the specifications of the market in which they exist. Trademarks and subscriber bases are recorded under the caption "Intangible assets, net".

2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group determines the recoverable amount based on the higher of its fair value less cost to sell and its value in use and is determined for an individual asset, 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 of the time value of money and the risk specific to the asset. In addition to the evaluation of possible impairment to the assets carrying value, the foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognised in the consolidated statements of profit and loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised 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 recognised 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 recognised. If that is the case, 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 recognised for the asset in prior years. Such reversal is recognised 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.

2.8 Other assets

Other assets include financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable costs. Millicom determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive the cash flows from the investment have expired or have been transferred and the Group has transferred substantially all the risks and rewards.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated as such by management. Derivatives are also included in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when Millicom has the intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are measured at amortised cost. This cost is



computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial recognition, available for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of profit and loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments 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.

2.9 Non-current assets (or disposal groups) held for sale and related liabilities

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 a sale transaction rather than through continuing use. The liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

2.10 Inventories

Inventories (which mainly consist of mobile telephone handsets and related accessories) are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 amount of the provision is recognised in the consolidated statements of profit and loss within "Cost of sales".

2.12 Time deposits

Cash deposits with banks with maturities of more than 3 months that generally earn interest at market rates are classified as time deposits.

2.13 Cash and cash equivalents

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.

2.14 Derivative financial instruments

Derivatives are initially recorded at cost and then re-measured to fair value through the consolidated statements of profit and loss.

A derivative embedded in a financial instrument is treated as a separate derivative when (i) its economic risks and characteristics are not closely related to those of the host contract, (ii) a separate instrument with the same terms as the embedded derivative would qualify as a derivative, (iii) the combined instrument (derivative and host contract) is not carried at fair value with unrealised gains and losses reported in the statements of profit and loss.



2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses recognised in the consolidated statements of profit and loss on equity instruments are not reversed through the consolidated statements of profit and loss.

2.16 Share capital

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 equity share capital, the consideration paid including any directly attributable incremental costs is shown under the caption "Treasury shares" and deducted from equity attributable to the Company's equity holder until the shares are cancelled, 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.

2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of profit and loss over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguishment, conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are not capitalised are recognised as an expense when incurred.

2.18 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the 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.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated statements of profit and loss on a straight-line basis over the lease term.

2.19 Provisions

Provisions are recognised 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 recognised 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, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.



2.20 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method where the effect of the passage of time is material.

2.21 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenues from provision of telecom services

These recurring revenues consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees and fees from other telecommunications services such as data services, short message services and other value added services. Recurring revenues are recognised on an accrual basis, i.e. as the related services are rendered. Unbilled revenues for airtime usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription products and services are deferred and amortised over the estimated life of the customer relationship. Related costs are also deferred, to the extent of the revenues deferred, and amortised over the estimated life of the customer relationship. The estimated life of the customer relationship is calculated based on the percentage of disconnections for the same type of customer which has occurred historically.

Prepayments

Prepayments allow the forward purchase of a specified amount of airtime by customers. Revenues are recognised as credit is used. Unutilised airtime is carried in the balance sheet and is included under deferred revenue within "other current liabilities".

Value added services

Revenues from value added services such as text messaging, video messaging, ringtones, games etc., are recognised net of payments to the providers of these services when the providers are responsible for the contents and for determining the price paid by the subscriber and as such the Group is considered to be acting in substance as an agent only. Where the Group is responsible for the content and determines the price paid by the subscriber then the revenue is recognised gross.

Equipment revenues

These revenues consist of the sale of handsets and accessories on a stand alone basis (if sold with other services, multiple element arrangements accounting would then apply). Revenue is recognised when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Multiple-element arrangements

Revenue arrangements with multiple deliverables ("Bundled Offers" such as equipments and services sold together) are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values or on the residual method. Revenue is then recognized separately for each unit of accounting.

2.22 Cost of sales

The primary cost of sales incurred by the Group in relation to the provision of telecommunication services relate to interconnection costs, roaming costs, rental of leased lines, costs of handsets and other accessories sold and royalties. Costs of sales are recorded on an accrual basis.

Cost of sales also includes the depreciation and impairment of network equipment.



2.23 Customer acquisition costs

Specific customer acquisition costs, including dealer commissions and handset subsidies, are charged to sales and marketing when the subscriber is activated.

2.24 Employee benefits

Pension obligations

Pension obligations can result from either a defined contribution plan or a defined benefit plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Millicom has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, 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 recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised 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 the maturities of the related pension liability.

Share-based compensation

Up until May 2006, share options were granted to Directors, management and key employees. The fair value of the equity instruments granted in exchange for the services received is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated statements of profit and loss, with a corresponding adjustment to equity. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Subsequent to May 2006, restricted share awards are granted to the Directors, management and key employees.

The cost of these equity-transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective 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 recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which 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.

2.25 Taxation

Current tax

Current tax assets and liabilities for the 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 balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised



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 the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax assets relating to the deductible temporary difference arise from the 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 the accounting nor taxable profit or loss.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate expected to apply to the year when the assets is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statements of profit and loss. Deferred tax assets and deferred tax liabilities are offset, if legally enforceable rights exist to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Discontinued operations

Revenues and expenses associated with discontinued operations are presented in a separate line on the consolidated statements of profit and loss. Comparative figures in the consolidated statements of profit and loss representing the discontinued operations are also reclassified to a separate line. Discontinued operations are those with identifiable operations and cash flows (for both operating and management purposes) and represent a major line of business or geographic unit which has been disposed of or is available for sale.

2.27 Changes in accounting policies

The consolidated financial statements as of December 31, 2008 are prepared in accordance with consolidation and accounting policies consistent with those of the previous financial years.

The following new and amended IFRIC interpretations were effective during the year. They did not have any effect on the financial performance or position of the Group.

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'.
- IFRIC 12 Service Concession Arrangements.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following IFRS and IFRIC interpretations were issued with an effective date for annual periods beginning on or after July 1, 2008. The Group has chosen not to early adopt these standards and interpretations.

- IFRS 8 Operating Segments – This standard is to be applied for annual periods beginning on or after 1 January 2009. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary and secondary reporting segments of the Group. The Group is evaluating the impact on its segmental reporting as the result of the adoption of IFRS 8.
- IAS 1R Presentation of Financial Statements – The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after January 1, 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single line statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.
- IFRS 3R Business combination and IAS 27R — Consolidated and Separate Financial Statements – The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and the future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.
- IFRS 2 Share-based payments—vesting conditions and cancellations – This amendments to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group does not expect significant implications on its accounting for share-based payments as a result of these amendments.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group does not expected the amendment to have any impact on its financial statements.
- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Group's financial statements.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009; it is not expected to have an impact on the Group's financial statements.
- IFRIC 13 Customer Loyalty Programmes – The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognised. This interpretation will not have a material impact on Millicom financial position or results.

- IFRIC 15, 'Agreements for construction of real estates' (effective from January 1, 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.
- IFRIC 17, 'Distribution of non-cash assets to owners' (effective from July 1, 2009). The interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, that an entity should measure the dividend payable at the fair value of the net assets to be distributed and that an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. This interpretation will not have a material impact on Millicom financial position or results.
- IFRIC 18, 'Transfers of assets from customers'. IFRIC 18 clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This is particularly relevant to the utility sector with the provision of the service being that of, for example, gas or electricity. The interpretation applies prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted. This interpretation will not have any impact on Millicom financial position or results.
- As part of its annual improvement project published in May 2008, the IASB slightly amended various standards. The improvements focused on areas of inconsistencies in IFRSs or where clarification of wording was required. The effective dates of these amendments vary depending on the standard concerned but are generally January 1, 2009. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

10% Senior Notes

In October 2007, Millicom decided that it would redeem the balance of the 10% Senior Notes in December 2008, and pay the contractual redemption premium of 5% (see note 24). Millicom reviewed its estimates of future cash flows and, as a result, an additional interest expense of \$31 million was recorded for the year ended December 31, 2007. The 10% Senior Notes was also reclassified from non-current to current.

Millicom reviewed its position to early repay the Notes in September 2008 and the Board of Directors decided not to early redeem the Notes but to keep them until the contractual maturity date (December 1, 2013). This decision impacted the future expected cash flows and, as a result, the 5% premium accrued in 2007 was completely reversed and an interest income amounting to \$29 million was recorded in 2008.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of Millicom. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of impairments, provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the fair value at the acquisition date, particularly in the case of such assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be estimated. The determination of the fair values of assets and liabilities, as well as of the useful lives of the assets is based on management's judgment.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies (see note 13).



For our critical accounting estimates reference is made to the relevant individual notes to these consolidated financial statements, more specifically note 4—Acquisition of subsidiaries, joint ventures and minority interests; note 13—Taxes; note 15—Intangible assets, note 16—Property, plant and equipment, note 18—Trade receivables, note 22—Share based compensation (relating to the long term incentive plan) and note 28—Commitments and contingencies.

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND MINORITY INTERESTS

Year ended December 31, 2008

In 2008, Millicom acquired 100% interest in Amnet Telecommunications Holding Limited.

Amnet Telecommunications Holding Limited

On October 1, 2008, the Group acquired 100% interest in Amnet Telecommunications Holding Limited (together with its subsidiaries “Amnet” or “Amnet Group”). Amnet is a provider of broadband and cable television services in Costa Rica, Honduras and El Salvador, of fixed telephony in El Salvador and Honduras, and of corporate data services in the above countries as well as Guatemala and Nicaragua. Acquisition cost amounted to \$546 million and net cash acquired to \$14 million; net cash used for the acquisition of Amnet therefore amounted to \$532 million.

Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2008. The final determined fair value of the identifiable assets and liabilities acquired were as follows:

	<u>Recognised on acquisition</u> US\$ '000	<u>Carrying value</u> US\$ '000
Intangible assets, net (i).....	162,383	26,631
Property, plant and equipment, net.....	71,197	67,911
Other non-current assets.....	3,093	3,093
Financial assets.....	7,502	7,502
Inventories.....	1,454	1,454
Trade receivables.....	8,052	8,052
Prepayments and accrued income.....	2,960	2,960
Current tax assets.....	3,728	3,728
Other current assets (ii).....	27,899	3,989
Cash and cash equivalents.....	13,497	13,497
	301,765	138,817
Non-current debt and other financing.....	116	116
Other non-current liabilities (iii).....	43,337	1,810
Current debt and other financing.....	3,271	3,271
Trade payables.....	9,992	9,992
Accrued interest and other expenses.....	5,950	5,950
Current tax liabilities.....	7,057	7,057
Other current liabilities (ii).....	26,294	2,384
	96,017	30,580
Fair value of net assets acquired and contingent liabilities (100%).....	205,748	
Goodwill arising on acquisition.....	339,982	
Acquisition cost.....	545,730	

- (i) *Intangible assets identified are trademarks for an amount of \$5 million, with estimated useful life of 15 months; subscriber bases for an amount of \$123 million, with estimated useful life of 4 to 9 years; and non-compete agreements for \$19 million, with estimated useful lives of 4 years.*
- (ii) *Contingent liabilities relate to existing tax and other contingencies at the time of the acquisition amounting to \$24 million were booked within “Other current liabilities”. The former shareholders of Amnet placed in escrow \$35 million to cover these contingencies. Therefore a corresponding financial asset of \$24 million has been recorded within “Other current assets”.*
- (iii) *Deferred tax liabilities, related to the differences between the tax base and the fair values of the identifiable assets acquired at the time of acquisition amounted to \$42 million.*

The goodwill is attributable to the profitability potential of the acquired business and the synergies expected to arise from the Group's acquisition of Amnet. The fair value of the subscriber bases was ascertained using the discounted excess earnings method and the fair value of the trademark was ascertained using the relief from royalty approach. The fair value of the non-compete agreements was ascertained using the incremental cash flow approach. Acquisition cost of Amnet was \$546 million,



including acquisition costs of \$4 million and was funded through a one-year bridge loan facility with two commercial banks and cash (see note 24).

The acquired business contributed revenues of \$43 million and net profit of \$4 million for the period from acquisition to December 31, 2008. If the acquisition had occurred on January 1, 2008, unaudited pro forma Group revenue from continuing operations would have been \$3,534 million, and the unaudited pro forma profit for the year from continuing operations would have been \$437 million. These amounts have been calculated using the Group accounting policies.

Year ended December 31, 2007

Millicom did not acquire any subsidiaries, joint ventures or minority interests during the year ended December 31, 2007.

Year ended December 31, 2006

Millicom acquired the following subsidiaries, joint ventures and minority interests during the year ended December 31, 2006:

	<u>Net acquisition cost</u> US\$ '000	<u>Net cash acquired</u> US\$ '000	<u>Net cash used for acquisitions</u> US\$ '000
Colombia Móvil S.A.	(124,148)	151,080	26,932
Telefonica Celular del Paraguay S.A.	(5,000)	–	(5,000)
Sentel GSM.....	(35,200)	–	(35,200)
Millicom Sierra Leone Limited.....	(1,500)	–	(1,500)
Millicom Tanzania Limited.....	(20,000)	–	(20,000)
Total.....	(185,848)	151,080	(34,768)

Colombia Móvil S.A.

On October 2, 2006, the Group acquired 50% plus one of the voting shares of Colombia Móvil S.A., a mobile operation in Colombia. Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2006. The final determined fair value of the identifiable assets and liabilities acquired were as follows:

	<u>Recognised on acquisition</u> US\$ '000	<u>Carrying value</u> US\$ '000
Intangible assets, net (i).....	176,124	71,124
Property, plant and equipment, net (ii)	245,285	274,937
Financial assets (iii).....	15,411	167
Inventories.....	15,297	15,297
Trade receivables.....	31,195	31,195
Prepayments and accrued income	14,954	14,954
Current tax assets	5,991	5,991
Other current assets.....	14,740	14,740
Cash and cash equivalents (iv)	151,080	28,566
	670,077	456,971
Non-current debt and other financing.....	165,530	165,530
Other non-current payables.....	19,705	19,705
Current debt and other financing.....	238,160	238,160
Trade payables.....	59,276	59,276
Accrued interest and other expenses.....	20,227	20,227
Current tax liabilities.....	20,588	20,588
Other current liabilities.....	7,523	7,523
Contingent liabilities (iii).....	15,244	—
	546,253	531,009
Fair value of net assets acquired and contingent liabilities (100%).....	123,824	
Fair value of net assets acquired and contingent liabilities (50% acquired)	61,912	
Goodwill arising on acquisition	62,236	
Acquisition cost.....	124,148	



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- (i) *Intangible assets identified are trademarks for an amount of \$5 million which were fully written off in the fourth quarter of 2006 as the operation was rebranded; subscriber bases for an amount of \$100 million which have useful lives of 6 to 7 years; and licenses for \$71 million which have useful lives of 7 years.*
 - (ii) *Network equipment fair value at the date of acquisition is \$30 million lower than its carrying value mainly due to falling network equipment prices which have resulted in a lower replacement cost than book value.*
 - (iii) *Contingent liabilities relate to existing litigations at the time of the acquisition. The founding shareholders of Colombia Movil S.A. committed to reimburse the operation for any payments that need to be made relating to litigations existing at the time of the acquisition therefore a corresponding financial asset has been recorded.*
 - (iv) *The business was acquired by purchasing new shares and therefore the purchase price, net of acquisition costs, was injected into the operation.*

The goodwill is attributable to the profitability potential of the acquired business and the synergies expected to arise from the Group's acquisition of Colombia Movil S.A. The fair value of the subscriber bases was ascertained using the discounted excess earnings method and the fair value of the trademark was ascertained using the relief from royalty approach. The acquisition cost of Colombia Movil S.A. was \$124 million, including acquisition costs of \$2 million and was financed through borrowings.

The acquired business contributed revenues of \$90 million and net losses of \$14 million for the period from acquisition to December 31, 2006. If the acquisition had occurred on January 1, 2006, unaudited pro forma Group revenue from continuing operations would have been \$1,823 million, and the unaudited pro forma profit for the year from continuing operations would have been \$176 million. These amounts have been calculated using the Group accounting policies.

In 2007, the Group reversed \$23 million of goodwill as a result of the recognition of deferred tax assets in respect of tax losses carried forward (see note 13).

Telefonica Celular del Paraguay S.A

In July, 2006, Millicom completed its purchase for a total consideration of \$5 million of the remaining 4% ownership interest in Telefonica Celular del Paraguay S.A., its subsidiary in Paraguay in which Millicom now has 100% ownership. The acquisition was approved by the regulatory authorities on July 12, 2006. Millicom recognised goodwill of \$3 million as a result of the acquisition of the minority interest, recorded under the caption "Intangible assets, net".

Sentel GSM

On March 14, 2006, Millicom purchased for a total consideration of \$35 million the remaining 25% ownership interest in Sentel GSM, its operation in Senegal in which Millicom now has 100% ownership. Millicom recognised goodwill of \$32 million as a result of the acquisition of the minority interest, recorded under the caption "Intangible assets, net".

Millicom Sierra Leone Limited

On February 1, 2006, Millicom paid \$2 million as the second instalment in respect of the acquisition on December 16, 2005 of 30% of the shares in Millicom Sierra Leone Limited.

Millicom Tanzania Limited

On January 23, 2006, Millicom purchased for a total consideration of \$20 million the remaining 15.6% ownership interest in Millicom Tanzania Limited, its operation in Tanzania in which Millicom now has 100% ownership. Millicom recognised goodwill of \$16 million as a result of the acquisition of the minority interest, recorded under the caption "Intangible assets, net".



5. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

The gains from sales of subsidiaries and joint ventures during the years ended December 31, 2008, 2007 and 2006 were as follows:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000	<u>2006</u> US\$ '000
From continuing operations	—	—	8,099
From discontinued operations	—	258,346	738
Total	—	258,346	8,837

Year ended December 31, 2008

In 2008, Millicom did not dispose of any subsidiary or joint venture.

Year ended December 31, 2007

In 2007, Millicom completed the sale of Paktel Limited, for total proceeds of \$285 million realising a net gain of \$258 million. Millicom incurred costs of \$14 million on the transaction and of the net proceeds of \$271 million, Millicom received \$263 million in 2007 and the remaining \$8 million in January 2008 (see note 6).

Year ended December 31, 2006

As part of the sale of Pakcom Limited (see note 6), Millicom transferred in 2006 for \$1 of consideration 10% of its ownership in Paktel Limited to the Arfeen Group, reducing Millicom's ownership in Paktel Limited to 88.9%. No gain or loss was recorded on the disposal.

In May 2006, Millicom disposed of its wholly-owned subsidiary MIC-USA Inc. for \$1. A net gain of \$6 million was recognised from the sale and MIC-USA Inc. ceased to be consolidated from the date of sale. As part of the disposal of MIC-USA Inc., Millicom disposed of Great Universal Inc. and Modern Holdings Inc. Although Great Universal Inc. and Modern Holdings Inc. were wholly-owned by Millicom, they were not consolidated because of the existence of outstanding warrants that enabled the warrant holder to control Great Universal Inc. and Modern Holdings Inc. These entities were accounted for as financial assets available for sale. Upon disposal, the revaluation reserve was reversed and no gain or loss was recorded on their disposal in 2006.

Millicom sold other minor subsidiaries and other joint-ventures, including its operation in Peru which has been treated as a discontinued operation, for \$6 million net proceeds resulting in a gain of \$3 million. Cash disposed in the sale of those companies amounted to \$2 million.



6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

The results of discontinued operations for the years ended December 31, 2008, 2007 and 2006 are presented below:

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
	US\$ '000	US\$ '000	US\$ '000
Revenues.....	8,917	12,890	75,139
Operating expenses (ii) (iii) (iv)	(30,585)	(20,715)	(119,477)
Gain from disposal.....	–	258,346	738
Operating profit (loss).....	(21,668)	250,521	(43,600)
Non-operating expenses, net	(729)	(4,744)	(42,481)
Profit (loss) before tax	(22,397)	245,777	(86,081)
Tax benefit (charge)	–	121	(518)
Profit (loss) for the year attributable to equity holders.....	(22,397)	245,898	(86,599)

- (i) *Figures for 2007 and 2006 have been adjusted to include Millicom operation in Sierra Leone.*
- (ii) *In 2008, an impairment of \$11 million was booked to align the carrying value of Millicom operation in Sierra Leone to its estimated fair value less cost to sell.*
- (iii) *In 2006, following the sale of Pakcom (see note 5), Millicom reversed an impairment on network equipment for an amount of \$6 million.*
- (iv) *In 2006, following the sale of Millicom Peru S.A. (see note 5), Millicom reversed an impairment on a license for an amount of \$2 million.*

The cash (used) provided by discontinued operations for the years ended December 31, 2008, 2007 and 2006 is presented below:

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
	US\$ '000	US\$ '000	US\$ '000
Net cash used by operating activities.....	(5,141)	(7,061)	(34,506)
Net cash (used) provided by investing activities.....	(8,614)	258,093	(59,612)
Net cash (used) provided by financing activities.....	(10,021)	177	20,829
Cash (used) provided by discontinued operations.....	(23,776)	251,209	(73,289)

- (i) *Figures for 2007 and 2006 have been adjusted to include Millicom operation in Sierra Leone.*

The following table gives details of non cash investing and financing activities of discontinued operations for the years ended December 31, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
	US\$ '000	US\$ '000	US\$ '000
Investing activities			
Acquisition of property, plant and equipment.....	–	–	(62,177)
Acquisition of licenses	–	–	–
Financing activities			
Vendor financing.....	–	–	62,177
License payable.....	–	–	–

- (i) *Figures for 2007 and 2006 have been adjusted to include Millicom operation in Sierra Leone.*



Millicom Sierra Leone Limited

In December 2008, Millicom decided to dispose of its business in Sierra Leone, Millicom Sierra Leone Limited, and, as a result, this operation has been classified as a discontinued operation. In addition as at December 31, 2008 the assets and liabilities of Millicom Sierra Leone Limited are disclosed under the captions “Assets held for sale” and “Liabilities directly associated with assets held for sale”. Millicom operation in Sierra Leone was previously disclosed under the segment “Africa”.

Pakcom Limited and Paktel Limited

In November 2006, Millicom decided to exit from its remaining business in Pakistan, Paktel Limited, and, as a result Paktel Limited and Pakcom Limited, which was sold in June 2006, have been classified as discontinued operations. In addition, as at December 31, 2006, the assets and liabilities of Paktel Limited were disclosed under the captions “Assets held for sale” and “Liabilities directly associated with assets held for sale”. The sale of Paktel Limited was completed in February 2007. Pakcom Limited and Paktel Limited were both previously disclosed under the segment “Asia”.

Comvik International (Vietnam) A.B.

Millicom has an 80% equity interest in Comvik International (Vietnam) AB (“Comvik”) which had entered into a Business Cooperation Contract (“BCC”) with a government-owned company to operate a nationwide cellular GSM network in Vietnam (Mobifone). The BCC expired in May 2005 and Millicom has been negotiating with the Vietnamese government to convert the BCC into an equity ownership interest since before the expiry of the BCC. During the third quarter of 2006, Millicom concluded that it was unlikely that an acceptable agreement would be reached in the near future and therefore classified Comvik as a discontinued operation from that date. Millicom has no other continuing operation in Vietnam. As of December 31, 2006, Comvik was presented as an abandoned operation. As such its assets and liabilities were included under the relevant individual balance sheet captions. All the remaining assets and liabilities were realised and settled in 2007. Comvik International (Vietnam) A.B. was previously disclosed under the segment “Asia”.

Other

Other operations have been classified as discontinued operations in 2006, consisting mainly of Millicom Peru S.A. All these operations were divested in the second half of 2006 (see note 5).

Assets held for sale

During the fourth quarter of 2008, Millicom began the marketing activities to sell its operation in Sierra Leone and therefore it was classified as a disposal group held for sale as of December 31, 2008. As of that date, Millicom measured all assets and liabilities of Millicom Sierra Leone at the estimated fair value less cost to sell, resulting in an impairment charge of \$11 million, recorded in December 2008.

The major classes of assets and liabilities classified as held for sale as at December 31, 2008 and 2007 are as follows:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Assets		
Property, plant and equipment, net.....	17,977	—
Trade receivables, net.....	553	—
Inventories.....	357	—
Other current assets.....	1,155	—
Cash and cash equivalents.....	521	—
Assets held for sale.....	20,563	—
Liabilities		
Other non-current liabilities.....	691	—
Trade payables.....	3,023	—
Other current liabilities.....	3,286	—
Current debt and other financing.....	57	—
Non-current debt and other financing.....	41	—
Liabilities directly associated with assets held for sale.....	7,098	—
Net assets directly associated with the disposal group	13,465	—



7. SUBSIDIARIES

The Group has the following significant subsidiaries, which are consolidated:

<u>Name of the company</u>	<u>Country</u>	<u>Holding December 31, 2008 % of ownership interest</u>	<u>Holding December 31, 2007 % of ownership interest</u>
Central America			
Telemovil El Salvador S.A.	El Salvador	100.0	100.0
South America			
Telefonica Celular de Bolivia S.A.....	Bolivia	100.0	100.0
Telefonica Celular del Paraguay S.A. (i)	Paraguay	100.0	100.0
Colombia Movil S.A. E.S.P. (i)	Colombia	50.0 + 1 share	50.0 + 1 share
Africa			
Millicom Ghana Company Limited.....	Ghana	100.0	100.0
Sentel GSM S.A. (i)	Senegal	100.0	100.0
Millicom (S.L.) Limited (ii).....	Sierra Leone	100.0	100.0
MIC Tanzania Limited (i).....	Tanzania	100.0	100.0
Oasis S.P.R.L.	Democratic Republic of Congo	100.0	100.0
Millicom Tchad S.A.	Chad	87.5	87.5
Millicom Rwanda Limited (iii).....	Rwanda	87.5	—
Asia			
Millicom Lao Co. Limited.....	Lao People's Democratic Republic	74.1	74.1
Tigo (Pvt) Limited.....	Sri Lanka	99.9	99.9
Amnet			
Amnet Telecommunications Holding Limited (i).....	Bermuda	100.0	—
Unallocated			
Millicom International Operations S.A.	Luxembourg	100.0	100.0
Millicom International Operations B.V.	Netherlands	100.0	100.0
MIC Latin America B.V.	Netherlands	100.0	100.0
Millicom Africa B.V.	Netherlands	100.0	100.0
Millicom Holding B.V.....	Netherlands	100.0	100.0
Millicom Ireland Limited	Ireland	100.0	—

(i) See note 4.

(ii) See notes 4 and 6.

(iii) See note 15.



8. INTERESTS IN JOINT VENTURES

The Group has the following significant joint venture companies, which are proportionally consolidated:

<u>Name of the company</u>	<u>Country</u>	<u>Holding December 31, 2008</u> % of ownership interest	<u>Holding December 31, 2007</u> % of ownership interest
Central America			
Comunicaciones Celulares S.A.	Guatemala	55.0	55.0
Telefonica Celular S.A.	Honduras	66.7	66.7
Africa			
Emtel Limited.....	Mauritius	50.0	50.0
Asia			
Cam GSM Company Limited.....	Cambodia	58.4	58.4

The share of assets and liabilities of the jointly controlled entities at December 31, 2008 and 2007, which are included in the consolidated financial statements, are as follows:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Current assets.....	194,994	184,202
Non-current assets.....	644,550	489,301
Total assets	839,544	673,503
Current liabilities.....	282,492	263,876
Non-current liabilities.....	112,116	96,207
Total liabilities	394,608	360,083

The share of revenues and operating expenses of the jointly controlled entities for the years ended December 31, 2008, 2007 and 2006, which are included in the consolidated financial statements, are as follows:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000	<u>2006</u> US\$ '000
Revenues.....	1,130,702	901,564	625,544
Total operating expenses.....	(617,121)	(483,430)	(365,826)
Operating profit	513,581	418,134	259,718

9. SEGMENT INFORMATION

The Group operates in the mobile telephony segment, apart from its Amnet business, which is cable, broadband and fixed telephony. The primary segment reporting format is therefore determined to be both geographic and by business. Group's risks and rates of return for its mobile operations are affected predominantly by the fact that it operates in different countries in different geographical areas. The mobile operating businesses are organised and managed according to the geographical areas, which represent the basis on which the information is presented to the Board of Directors and executive management to evaluate past performance and for making decisions about the future allocation of resources.

For segmental information on investment in associates and profit from associates (see note 17).

Primary Reporting Format—Geographical and Business Segments

The Group operates its mobile business in 16 countries within four regions: Central America, South America, Africa and Asia. It operates the Amnet business in Central America.



The following tables present revenues, operating profit/ (loss) and other segment information for the years ended December 31, 2008, 2007 and 2006:

December 31, 2008	Central America	South America	Africa	Asia	Amnet	Unallocated items	Total continuing operations	Discontinued operations (note 6)	Elimination	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenues.....	1,376,848	1,019,332	711,364	261,821	43,015	–	3,412,380	8,917	–	3,421,297
Operating profit (loss).....	642,851	149,848	95,935	49,061	6,537	(76,949)	867,283	(21,668)	–	845,615
Add back:										
Depreciation and amortization.....	112,296	198,861	140,094	52,188	11,518	951	515,908	5,069	–	520,977
Loss (gain) of disposal and impairment.....	3,865	2,816	1,551	218	(7)	941	9,384	10,831	–	20,215
Share based compensation.....	–	–	–	–	–	13,619	13,619	–	–	13,619
Corporate costs.....	–	–	–	–	–	61,438	61,438	–	–	61,438
Adjusted operating profit (loss) (i).....	759,012	351,525	237,580	101,467	18,048	–	1,467,632	(5,768)	–	1,461,864
Total Assets(ii).....	1,242,421	1,260,230	1,484,841	388,551	738,554	389,669	5,504,266	20,563	(304,021)	5,220,808
Total Liabilities.....	556,799	1,071,739	1,396,189	294,837	174,959	927,215	4,421,738	74,953	(927,960)	3,568,731
Additions to:										
Property, plant and equipment.....	283,255	351,134	510,836	152,863	11,164	1,298	1,310,550	10,766	–	1,321,316
Intangible assets.....	10,756	18,033	90,244	1,823	384	135	121,375	–	–	121,375
Capital expenditure.....	294,011	369,167	601,080	154,686	11,548	1,433	1,431,925	10,766	–	1,442,691

December 31, 2007	Central America	South America	Africa	Asia	Unallocated items	Total continuing operations	Discontinued operations (note 6)	Elimination	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenues.....	1,149,368	809,881	469,833	194,772	–	2,623,854	12,890	–	2,636,744
Operating profit (loss).....	526,369	106,591	66,716	41,041	(69,014)	671,703	250,521	–	922,224
Add back:									
Depreciation and amortization.....	80,695	144,704	87,935	37,927	239	351,500	3,440	–	354,940
Loss (gain) of disposal and impairment.....	1,083	1,937	173	588	(44)	3,737	78	–	3,815
Reduction of goodwill.....	–	23,358	–	–	–	23,358	–	–	23,358
Share based compensation.....	–	–	–	–	19,228	19,228	–	–	19,228
Corporate costs.....	–	–	–	–	49,591	49,591	–	–	49,591
Gain on disposal of subsidiaries and joint ventures, net.....	–	–	–	–	–	–	(258,346)	–	(258,346)
Adjusted operating profit (loss) (i).....	608,147	276,590	154,824	79,556	–	1,119,117	(4,307)	–	1,114,810
Total Assets.....	1,086,366	1,143,305	1,046,669	299,976	1,087,774	4,664,090	–	(250,264)	4,413,826
Total Liabilities.....	521,285	859,455	947,234	227,936	875,084	3,430,994	–	(385,504)	3,045,490
Additions to:									
Property, plant and equipment.....	282,312	319,861	333,976	93,354	926	1,030,429	5,731	–	1,036,160
Intangible assets.....	9,366	5,216	3,323	594	943	19,442	–	–	19,442
Capital expenditure.....	291,678	325,077	337,299	93,948	1,869	1,049,871	5,731	–	1,055,602

December 31, 2006	Central America	South America	Africa	Asia	Unallocated items	Total continuing operations	Discontinued operations (note 6)	Elimination	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenues.....	796,111	321,038	306,091	146,846	–	1,570,086	75,139	–	1,645,225
Operating	334,923	49,657	69,813	36,070	(42,505)	447,958	(43,600)	–	404,358



profit (loss).....									
<i>Add back:</i>									
Depreciation and amortization.....	79,242	68,335	54,758	24,701	200	227,236	30,521	–	257,757
Loss (gain) of disposal and impairment.....	1,265	26	72	357	141	1,861	(5,256)	–	(3,395)
Share based compensation....	–	–	–	–	12,850	12,850	–	–	12,850
Corporate costs.....	–	–	–	–	37,413	37,413	–	–	37,413
Gain on disposal of subsidiaries and joint ventures, net.....	–	–	–	–	(8,099)	(8,099)	–	–	(8,099)
Other items.....	–	–	–	–	–	–	3,340	–	3,340
Adjusted operating profit (loss) (i)..	415,430	118,018	124,643	61,128	–	719,219	(14,995)	–	704,224
Total Assets.....	771,553	941,133	699,532	209,022	468,000	3,089,240	428,663	(196,909)	3,320,994
Total Liabilities.....	363,829	641,522	585,753	153,585	887,255	2,631,944	540,968	(434,306)	2,738,606
<i>Additions to:</i>									
Property, plant and equipment...	176,769	71,495	244,515	104,596	68	597,443	126,965	–	724,408
Intangible assets.....	25,880	2,154	230	5,488	–	33,752	21	–	33,773
Capital expenditure.....	202,649	73,649	244,745	110,084	68	631,195	126,986	–	758,181

(i) *Adjusted operating profit is the measure used by the management to monitor the segmental performance (see note 30).*

(ii) *Segment assets include goodwill and other intangibles and tangibles emerged from the acquisition of Amnet.*

10. ANALYSIS OF OPERATING PROFIT

The Group's operating income and expenses from continuing operations analysed by nature of expense is as follows:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Revenues.....	3,412,380	2,623,854	1,570,086
Cost of rendering telecommunication services.....	(831,925)	(686,260)	(431,211)
Depreciation and amortization (notes 9,15 and 16).....	(515,908)	(351,500)	(227,236)
Dealer commissions.....	(303,435)	(214,202)	(119,875)
Employee related costs (note 11).....	(206,455)	(167,762)	(95,944)
Phone subsidies.....	(143,881)	(112,700)	(56,695)
Advertising and promotion.....	(143,634)	(111,801)	(45,962)
Utilities.....	(74,157)	(44,647)	(24,410)
Operating lease expense (note 28).....	(66,350)	(47,339)	(23,156)
Network maintenance.....	(58,814)	(46,794)	(24,347)
External services.....	(53,383)	(51,497)	(31,575)
Reduction of goodwill (notes 9 and 15).....	–	(23,358)	–
Loss on disposal of assets (note 9).....	(8,632)	(2,064)	(1,503)
Impairment of assets (notes 9 and 16).....	(752)	(1,673)	(358)
Other operating income.....	–	–	4,036
Gain from sale of subsidiaries and joint ventures, net.....	–	–	8,099
Other expenses.....	(137,771)	(90,554)	(51,991)
Operating profit	867,283	671,703	447,958

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.

11. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Wages and salaries.....	(152,538)	(117,394)	(64,608)
Social security.....	(18,352)	(13,533)	(6,453)
Share based compensation (see note 22).....	(13,619)	(19,228)	(12,850)
Other employee related costs (ii).....	(21,946)	(17,607)	(12,033)
Total	(206,455)	(167,762)	(95,944)

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.

(ii) Includes pension costs, other benefits and training costs.

The average number of permanent employees during the years ended December 31, 2008, 2007 and 2006 was as follows:

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
Continuing operations.....	6,509	4,692	3,192
Discontinued operations.....	98	76	501
Total average number of permanent employees	6,607	4,768	3,693

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.

12. OTHER NON-OPERATING INCOME (EXPENSES), NET

The Group's other non-operating income (expenses), net is comprised of the following:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Valuation movement on financial assets:			
Tele2 A.B.—"B" shares.....	–	–	(36,386)
Embedded derivative on the 5% Mandatory Exchangeable Notes.....	–	–	66,095
Other financial derivatives.....	–	–	(785)



Exchange gain/(loss) on the 5% Mandatory Exchangeable Notes.....	–	–	(35,616)
Loss on repurchase of the 10% Senior Notes (see note 24).....	–	(4,961)	–
Other exchange gains/(losses).....	(55,593)	15,174	5,547
Other non operating income (expenses), net.....	(55,593)	10,213	(1,145)

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.

13. TAXES

Group taxes are mainly comprised of income taxes of subsidiaries and joint ventures. As a Luxembourg commercial company, the Company is subject to all taxes applicable to a Luxembourg Société Anonyme. Due to losses incurred and brought forward, no taxes based on Luxembourg-only income have been computed for 2008, 2007 or 2006.

The effective tax rate on continuing operations is approximately 39% (2007: 16%, 2006: 32%). Currently Millicom operations are in jurisdictions with income tax rates of 10% to 40% (2007 and 2006: 10% to 40%).

The reconciliation between the weighted average statutory tax rate and the effective average tax rate is as follows:

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
	%	%	%
Weighted average statutory tax rate (ii).....	22	23	24
Derecognition (recognition) of previously unrecorded tax losses.....	10	(11)	(1)
Unrecognised current year tax losses (iii).....	10	10	10
Non taxable income and non deductible expenses, net	(1)	(2)	(2)
Taxes based on revenue.....	(8)	(10)	(5)
Income taxes at other than statutory tax rates.....	3	2	2
Withholding taxes on transfers between operating and non operating entities.....	3	4	4
Effective tax rate (iv).....	39	16	32

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom Operation in Sierra Leone.

(ii) The weighted average statutory tax rate has been determined by dividing the aggregate statutory tax charge of each subsidiary and joint venture, which was obtained by applying the statutory tax rate to the profit or loss before tax, by the aggregate profit before tax.

(iii) Unrecognised current year tax losses mainly consist of tax losses at the Company level and tax losses recorded in the Group's operations in the Democratic Republic of Congo and Colombia (2007: Democratic Republic of Congo; 2006: Colombia and the Democratic Republic of Congo).

(iv) The variation in the effective tax rate is mainly due to the recognition of deferred tax assets for tax loss carry forwards in Colombia in 2007 and its impairment in 2008 (see below).

In October 2006, the Group acquired Colombia Móvil (see note 4). At the time of acquisition, Colombia Móvil had tax loss carry forwards. When completing the purchase price allocation, Millicom assessed that it was not probable that these tax loss carry-forwards would be used. Thus no deferred tax asset was recognized on acquisition. Given the 2007 actual results of Colombia Móvil and its forecasted performance, Colombia Móvil was expected to be profitable in a foreseeable future. Accordingly, an amount of \$86 million was recorded in deferred tax assets corresponding to \$39 million related to tax losses after the acquisition and \$47 million related to tax losses prior to the acquisition. Management estimated that these tax losses were to be used against future taxable profit. As part of these losses existed at the time of acquisition some of the goodwill recorded at acquisition was reversed resulting in an expense of \$23 million in 2007 recorded under the caption "other operating expenses".

As the business conditions have been negatively impacted by the change in the interconnect rates, Colombia performance deteriorated since the first recognition of deferred tax assets. Therefore, it was no longer considered probable that Millicom could utilize these fiscal loss carryforwards in the near future. Therefore the previously recognized deferred tax asset was impaired through the profit and loss statement.

The charge for income taxes from continuing operations is shown in the following table and recognises that revenue and expense items may affect the financial statements and tax returns in different periods (temporary differences):

	<u>2008</u>	<u>2007(i)</u>	<u>2006(i)</u>
	US\$ '000	US\$ '000	US\$ '000
Current income tax charge.....	(196,924)	(172,186)	(117,128)



Net deferred income tax charge benefit	(80,445)	84,988	(459)
Charge for taxes	(277,369)	(87,198)	(117,587)

(i) *Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.*

The tax effects of significant items comprising the Group's net deferred income tax asset and liability as of December 31, 2008 and 2007 are as follows:

	<u>Consolidated balance sheet</u>		<u>Consolidated income statement</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007(i)</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Deferred income tax assets:				
Loss carryforwards.....	—	85,812	(85,812)	85,812
Temporary differences:				
Provision for doubtful debtors.....	1,866	1,117	749	115
Temporary differences between book and tax basis of intangible assets and property, plant and equipment.....	9,187	3,621	5,566	2,659
Temporary differences between book and tax basis of other assets and liabilities	3,168	6,994	(3,826)	5,252
	14,221	97,544		
Deferred income tax liabilities:				
Deferred tax liabilities recognized as part of the acquisition of Amnet (see note 4).....	(41,527)	—	—	—
Temporary differences between book and tax basis of fixed assets.....	(54,458)	(42,825)	(11,633)	(7,469)
Provision for doubtful debtors.....	1,536	1,008	528	(517)
Other temporary differences	13,386	(597)	13,983	(864)
	(81,063)	(42,414)		
Deferred income tax (expense) benefit			(80,445)	84,988

(i) *Figures for 2007 have been adjusted, excluding Millicom operation in Sierra Leone.*

Deferred income tax assets and liabilities reflect temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

No deferred tax liability was recognised in respect of \$2,022 million (2007:\$1,095 million) of unremitted earnings of subsidiaries, joint ventures and associates, because the Group was in a position to control the timing of the reversal of the temporary difference and it was unlikely that such differences would reverse in a foreseeable future. Furthermore, it was not practicable to estimate the amount of unrecognized deferred tax liabilities in respect of these unremitted earnings.

Unrecognised net operating losses and other tax loss carryforwards relating to continuing operations amounted to \$610 million as at December 31, 2008 (2007: \$120 million, 2006: \$295 million) with expiry periods of between 1 and 6 years except for \$256 million where the losses do not expire. In addition the Company has unrecognized net operating losses of \$1,823 million (2007: \$1,940 million) which do not expire.



14. EARNINGS PER SHARE

Basic earnings per share amounts 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 amounts are calculated by dividing the net profit for the year attributable to equity holders of the Company (after deducting interest on the convertible notes if the conversion of these notes would be dilutive) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

The following reflects the net profit and share data used in the basic and diluted earnings per share computations:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Basic			
Net profit attributable to equity holders from continuing operations.....	539,913	451,244	255,546
Net (loss) profit attributable to equity holders from discontinued operations.....	(22,397)	245,898	(86,599)
Net profit attributable to equity holders used to determine the basic earnings per share.....	517,516	697,142	168,947
Diluted			
Net profit attributable to equity holders from continuing operations.....	539,913	451,244	255,546
Interest expense on convertible debt (note 24).....	760	16,640	—
Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share.....	540,673	467,884	255,546
Net (loss) profit attributable to equity holders from discontinued operations.....	(22,397)	245,898	(86,599)
Net profit attributable to equity holders used to determine the diluted earnings per share...	518,276	713,782	168,947
	<u>2008</u> <u>'000</u>	<u>2007</u> <u>'000</u>	<u>2006</u> <u>'000</u>
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share.....	107,869	101,088	100,361
Effect of dilution:			
Potential incremental shares as a result of share options.....	434	1,250	1,010
Assumed conversion of convertible debt (ii).....	343	5,709	—
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution.....	108,646	108,047	101,371

(i) Figures for 2007 and 2006 have been adjusted, reclassifying Millicom operation in Sierra Leone.

(ii) For the year ended December 31, 2006, the effect of the conversion of the 4% Convertible Notes has not been reported because to do so would have been anti-dilutive (see note 24).

To calculate earnings per share amounts for the discontinued operations, the weighted average number of shares for both basic and diluted amounts is as per the table above.



15. INTANGIBLE ASSETS

The movements in intangible assets in 2008 were as follows:

	<u>Goodwill</u> US\$ '000	<u>Licences</u> US\$ '000	<u>Other</u> US\$ '000	<u>Total</u> US\$ '000
Opening balance, net.....	183,857	154,854	128,791	467,502
Change in the composition of the Group (note 4) (i).....	339,982	252	162,131	502,365
Additions (iv).....	—	107,377	13,998	121,375
Amortisation charge (ii).....	—	(34,158)	(32,033)	(66,191)
Impairment (iii).....	(2,892)	—	—	(2,892)
Other movements.....	—	5,011	(5,819)	(808)
Exchange rate movements.....	(13,652)	(9,658)	(7,691)	(31,001)
Closing balance, net.....	507,295	223,678	259,377	990,350
As at December 31, 2008				
Cost or valuation.....	507,295	309,480	328,865	1,145,640
Accumulated amortisation.....	—	(85,802)	(69,488)	(155,290)
Net.....	507,295	223,678	259,377	990,350

- (i) The change in the composition of the Group corresponded to the acquisition of Amnet.
- (ii) The amortisation charge for licenses and other is recorded under the caption “General and administrative expenses”.
- (iii) Millicom operation in Sierra Leone (see note 6).
- (iv) Acquisitions of Licence refer for \$67 million to the license for the Millicom operation in Rwanda (see note 1).

The movements in intangible assets in 2007 were as follows:

	<u>Goodwill</u> US\$ '000	<u>Licences</u> US\$ '000	<u>Other</u> US\$ '000	<u>Total</u> US\$ '000
Opening balance, net.....	196,178	165,222	121,375	482,775
Additions.....	—	7,064	12,378	19,442
Amortisation charge (i).....	—	(24,918)	(24,087)	(49,005)
Reduction of goodwill (i) (notes 9 and 13).....	(23,358)	—	—	(23,358)
Other movements.....	—	—	7,780	7,780
Exchange rate movements.....	11,037	7,486	11,345	29,868
Closing balance, net.....	183,857	154,854	128,791	467,502
As at December 31, 2007				
Cost or valuation.....	183,857	213,043	170,909	567,809
Accumulated amortisation.....	—	(58,189)	(42,118)	(100,307)
Net.....	183,857	154,854	128,791	467,502

- (i) The reduction of goodwill is recorded under the caption “Other operating expenses” and the amortisation charge for licenses and other is recorded under the caption “General and administrative expenses”.



The following table provides details of cash used for additions to intangible assets:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Additions.....	121,375	19,442	33,773
Additions from Discontinued Operations.....	—	—	(21)
Subtotal.....	121,375	19,442	33,752
License installments.....	—	6,374	6,717
License acquisition costs, paid in shares in Millicom Rwanda Limited.....	(7,159)	—	—
Cash used from continuing operations for additions from intangible assets.....	114,216	25,816	40,469

(i) Figures for 2007 and 2006 have been adjusted, excluding Millicom operation in Sierra Leone.

Impairment test of goodwill

For the year ended December 31, 2008, management tested all goodwill for impairment. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated.

The recoverable amount of a cash-generating unit is determined based on discounted cash flow calculation. The cash flow projections used (EBITDA margins, income tax, working capital, capital expenditure and license renewal cost) are extracted from financial budgets approved by the management covering a period of 3 years. The planning horizon reflects industry practice in the countries where the Group operates. Cash flows beyond this period are extrapolated using a perpetual growth rate of 1.5%. Apart from Millicom's operation in Sierra Leone (see note 6), no impairment losses were recorded on goodwill for the years ended December 31, 2008 and 2007.

The allocation of goodwill to cash generating units, net of exchange rate movements, is shown below:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Millicom's operations in:		
Amnet Group (see note 4).....	339,982	—
Colombia (i).....	44,595	49,731
El Salvador.....	42,053	42,053
Ghana.....	14,281	18,780
Senegal.....	36,541	38,430
Tanzania.....	14,219	16,233
Other.....	15,624	18,630
Total goodwill.....	507,295	183,857

(i) An amount of \$23 million of goodwill has been reversed in Colombia as a result of deferred tax assets recognised in 2007 on pre-acquisition tax loss carry forwards (see note 13).

The recoverable amounts have been determined for the cash generating units based on the following discount rates for the years ended December 31, 2008 and 2007:

	Discount rate after tax	
	<u>2008</u>	<u>2007</u>
Central America, including Amnet for 2008.....	9.6% - 12.8%	11.9% - 13.1%
South America.....	10.2% - 16.5%	11.0% - 14.1%
Africa.....	10.7% - 15.4%	12.8% - 16.1%
Asia.....	15.5% - 16.1%	13.0% - 15.3%

Any significant change in the assumptions used to compute the recoverable amounts could have an adverse impact on the value of the cash generating units.



16. PROPERTY, PLANT AND EQUIPMENT

The movements in 2008 were as follows:

	<u>Network equipment</u> US\$ '000	<u>Land and Buildings</u> US\$ '000	<u>Construction in Progress</u> US\$ '000	<u>Other(i)</u> US\$ '000	<u>Total</u> US\$ '000
Opening balance, net.....	1,557,003	51,979	381,984	75,156	2,066,122
Change in the composition of the Group (note 4)(iv).....	55,040	2,751	8,167	5,239	71,197
Additions.....	52,071	1,536	1,204,621	63,088	1,321,316
Disposals.....	(25,486)	(646)	(1,153)	(1,190)	(28,475)
Impairments(ii).....	(8,544)	—	—	—	(8,544)
Depreciation charge (iii).....	(418,221)	(4,804)	—	(31,761)	(454,786)
Asset retirement obligations.....	12,505	—	—	—	12,505
Transfers.....	1,204,341	15,490	(1,235,501)	15,670	—
Transfer to assets held for sale.....	(14,747)	(132)	(636)	(2,462)	(17,977)
Exchange rate movements.....	(119,357)	(2,369)	(47,007)	(5,401)	(174,134)
Closing Balance	2,294,605	63,805	310,475	118,339	2,787,224
As at December 31, 2008					
Cost or valuation.....	3,443,381	78,602	310,475	222,662	4,055,120
Accumulated depreciation.....	(1,148,776)	(14,797)	—	(104,323)	(1,267,896)
Net	2,294,605	63,805	310,475	118,339	2,787,224

The movements in 2007 were as follows:

	<u>Network equipment</u> US\$ '000	<u>Land and Buildings</u> US\$ '000	<u>Construction in Progress</u> US\$ '000	<u>Other(i)</u> US\$ '000	<u>Total</u> US\$ '000
Opening balance, net.....	933,381	32,628	231,638	69,512	1,267,159
Additions.....	62,765	3,336	948,238	21,821	1,036,160
Disposals.....	(5,551)	(139)	—	(227)	(5,917)
Impairments (ii).....	(1,722)	—	—	(29)	(1,751)
Depreciation charge (iii).....	(286,497)	(1,385)	—	(18,053)	(305,935)
Asset retirement obligations.....	10,690	—	4,615	—	15,305
Other movements.....	(7,780)	—	—	—	(7,780)
Transfers.....	792,292	16,199	(808,491)	—	—
Exchange rate movements.....	59,425	1,340	5,984	2,132	68,881
Closing Balance	1,557,003	51,979	381,984	75,156	2,066,122
As at December 31, 2007					
Cost or valuation.....	2,228,969	64,883	381,984	130,300	2,806,136
Accumulated depreciation.....	(671,966)	(12,904)	—	(55,144)	(740,014)
Net	1,557,003	51,979	381,984	75,156	2,066,122

(i) The caption "Other" mainly includes office equipment and motor vehicles.

(ii) For the year ended December 31, 2008, Millicom recorded an impairment charge of \$9 million, mainly related to its operation in Sierra Leone (see note 6); for the year ended December 31, 2007, Millicom recorded an impairment charge of \$2 million for network equipment, mainly related to its operation in Bolivia.

(iii) The depreciation charge for network equipment is recorded under the caption "Cost of sales" and the depreciation charge for land and buildings and other is recorded under the caption "General and administrative expenses".

(iv) The change in the composition of the Group corresponded to the acquisition of Amnet.



The amount of borrowing costs capitalized for the year ended December 31, 2008 was \$9 million (2007: \$5 million).

The following table provides details of cash used for the purchase of property, plant and equipment:

	<u>2008</u> US\$ '000	<u>2007(i)</u> US\$ '000	<u>2006(i)</u> US\$ '000
Additions.....	1,321,316	1,036,160	724,408
Additions from discontinued Operations.....	(10,766)	(5,731)	(126,965)
Subtotal.....	1,310,550	1,030,429	597,443
Suppliers advances.....	71,609	19,561	40,171
Change in capex payable.....	(32,466)	(170,968)	(127,782)
Vendor financing (see note 27).....	(48,632)	(23,041)	(65,870)
Capitalised interests.....	(8,575)	(5,381)	(4,500)
Cash used from continuing operations for purchase of property, plant and equipment.....	1,292,486	850,600	439,462

(i) Figures for 2007 and 2006 have been adjusted, reclassifying Millicom operation in Sierra Leone

17. INVESTMENT IN ASSOCIATES

As at December 31, 2008 and 2007 the principal associates are Navega.com S.A., which is unlisted, and Metrored S.A., which is a subsidiary of Navega.com S.A.

Navega.com S.A. is 45% owned by Millicom's joint venture in Guatemala of which Millicom holds 55.0% (see note 8). Metrored S.A. is 51% owned by Navega.com S.A. and 49% owned by Millicom's joint venture in Honduras of which Millicom holds 66.7% (see note 8). The following table provides summarised financial information of the Group's investment in associates:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Opening balance (i).....	11,234	6,838
Share of profit (i),(ii).....	8,706	4,400
Acquisitions (iii).....	1,153	-
Exchange rate movements.....	(6)	(4)
Closing balance (i).....	21,087	11,234

(i) All amounts relate to the Central America segment.

(ii) Share of profit is after taxes and minority interest of associates.

(iii) As part of the acquisition of Amnet (see note 4)

The Group's share of revenues and net profits of its principal associate and its share of the assets and liabilities are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Assets</u> US\$ '000	<u>Liabilities</u> US\$ '000	<u>Revenues</u> US\$ '000	<u>Profit</u> US\$ '000
2008					
Navega.com S.A and its subsidiaries.....	Guatemala	36,471	16,531	22,365	8,706
2007					
Navega.com S.A and its subsidiaries.....	Guatemala	27,777	16,543	15,674	4,400



18. TRADE RECEIVABLES

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
Gross trade receivables.....	290,580	259,522
Less: provisions for impairment of receivables.....	(33,125)	(35,943)
Trade receivables, net.....	257,455	223,579

The nominal value less impairment of trade receivables is assumed to approximate their fair values.

As at December 31, 2008 and 2007, the ageing analysis of trade receivables is as follows:

	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>			<u>Total</u>	
			<u>< 30 days</u>	<u>30-90 days</u>		<u>> 90 days</u>
		US\$ '000	US\$ '000	US\$ '000		US\$ '000
2008						
Telecom operators.....	68,052	27,498	91,572	1,873	188,995	
Own subscribers.....	28,155	9,286	2,789	–	40,230	
Others.....	19,902	5,210	2,990	128	28,230	
Total.....	116,109	41,994	97,351	2,001	257,455	
2007						
Telecom operators.....	72,249	27,735	21,069	47,726	168,779	
Own subscribers.....	21,698	6,099	2,148	3,017	32,962	
Others.....	16,277	3,045	1,952	564	21,838	
Total.....	110,224	36,879	25,169	51,307	223,579	

19. OTHER CURRENT ASSETS

Other current assets are comprised as follows:

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
VAT tax sales receivables.....	30,083	20,444
Pledged deposits.....	11,031	8,233
Receivables from the sale of Paktel (i).....	–	7,593
Other (ii).....	46,745	12,211
Total other current assets.....	87,859	48,481

(i) The amount referred to the net receivable from the buyer of Paktel (see note 5).

(ii) See note 25.



20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2008	2007
	US\$ '000	US\$ '000
Cash and cash equivalents in U.S. dollars.....	439,515	1,050,919
Cash and cash equivalents in other currencies.....	234,680	123,678
Total cash and cash equivalents.....	674,195	1,174,597

Our cash is diversified among leading international and domestic banks within the countries where we operate.

21. SHARE CAPITAL

Share capital and share premium

The authorised share capital of the Company totals 133,333,200 registered shares (2007: 133,333,200). As at December 31, 2008, the total subscribed and fully paid-in share capital and premium was \$643 million (2007: \$417 million) consisting of 108,297,507 (2007: 102,428,260) registered common shares at a par value of \$1.50 (2007: \$1.50) each.

In 2008, the Company issued a total of 5,869,247 new shares (2007: 1,744,380 new shares), resulting from:

- 169,056 new shares (2007: 1,625,872 new shares) following the exercise of share options;
- 77,720 new restricted shares to employees and directors (2007: 89,822); and
- 5,622,471 new shares following the conversion of the 4% Convertible Notes (2007: 28,686).

22. SHARE BASED COMPENSATION

Share options

Up until May 30, 2006, share options were granted 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 service (the vesting period). The options were exercisable starting from one year to five years from the grant date. The options have a contractual option term of six years from the grant date for employees and of twenty years for directors (amended in 2005). Share options grants for directors prior to 2005 had an indefinite life. Shares issued when share options are exercised have the same rights as common shares.

The following table summarizes information about share options outstanding at December 31, 2008. The market price of the Company's shares as at December 31, 2008 was \$44.91 (2007: \$117.94).

<u>Range of exercise price \$</u>	<u>Options outstanding</u>		<u>Options exercisable</u>	
	<u>Weighted average exercise price</u>	<u>Number outstanding at December 31, 2008</u>	<u>Weighted average exercise price</u>	<u>Number exercisable at December 31, 2008</u>
3.32-3.75	3.54	5,332	3.54	5,332
20.56	20.56	300,567	20.56	59,071
25.05-29.75	26.82	88,225	26.82	88,225
31.88-35.91	34.06	99,996	34.06	99,996
3.32-35.91	24.23	494,120	27.73	252,624



Share options outstanding at the end of the year have the following expiry date and exercise prices:

<u>Date issued</u>	<u>Number of options outstanding as at December 31, 2008</u>	<u>Exercise price</u> \$	<u>Terms of option</u>
May 1996, May 1997, May 1998, May 2000 and May 2004	173,328	25.05 - 35.91	Exercisable immediately. Options have an indefinite life.
May 2005	35,000	20.56	Exercisable immediately. Options have a twenty year life.
December 2002, May 2003 and May 2004	20,225	3.32 - 25.05	Exercisable over a three-year period in equal installments. Options expire after six years from date of grant.
May 2005	165,567	20.56	Exercisable over a five year period in equal installments. Options expire after six years from date of grant.
July 2005 and May 2006	100,000	20.56	Exercisable over a three-year period in equal installments from the start of the fourth year. Options expire after six years from date of grant.

The following table summarizes the Company's share options as of December 31, 2008, 2007 and 2006, and changes during the years then ended:

	<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Average exercise price in \$ per share</u>	<u>Number of options</u>	<u>Average exercise price in \$ per share</u>	<u>Number of options</u>	<u>Average exercise price in \$ per share</u>	<u>Number of options</u>
Outstanding at beginning of year	22.60	708,003	21.04	2,380,305	15.96	3,812,387
Granted.....	—	—	—	—	20.56	50,000
Expired/forfeited(i).....	19.02	(44,827)	20.83	(46,430)	28.53	85,539
Exercised.....	18.79	(169,056)	20.37	(1,625,872)	9.08	(1,567,621)
Outstanding at end of year	24.23	494,120	22.60	708,003	21.04	2,380,305
Exercisable at end of year	27.73	252,624	24.59	358,574	20.91	1,807,796

(i) In 2006, former directors who continue to be employed by related parties of Millicom requested to exercise options that were deemed to be forfeited in prior years. Upon investigation, it was determined that the options should not have been forfeited. Consequently, all exercisable options granted to former directors who continue to be employed by related parties are presented in these financial statements. This has no effect on share-based compensation in the financial statements as at December 31, 2006 and 2005 as the options were granted prior the adoption of IFRS 2—Share-based payment.

The range of fair value of options granted determined using option pricing models was \$6.30 to \$8.31 for 2006. The significant inputs into the model were share price of \$19.21 for 2006 at the grant date, exercise price as disclosed above, expected exercise date based on previous exercise behavior for employees and for directors between 1 and 20 years, option contractual term as previously disclosed, annual risk-free interest rate of 3.74% for 2006 and expected share price volatility of 46.5% for 2006 based on statistical analysis of daily share prices over the last 2 years amended for the change in the debt levels of the Company over the same period of time. No new options were granted in 2008 and 2007.

In May 2006 at the Annual General Meeting, it was agreed to accelerate the vesting period for share options held by the directors from three years to one year to correspond to the directors' one-year term in office. It was also agreed to change the term of the share options so that they no longer expire when a director is no longer a member of the board. In addition, the directors entered into an agreement with Millicom, whereby if Millicom is subject to a change of control the directors' share options will vest immediately and the restricted shares will become unrestricted upon the change of control.



For the year ended December 31, 2008 Millicom recorded a charge of \$1 million (2007: \$1 million; 2006: \$3 million) related to share options.

Restricted share grants

Starting on May 30, 2006, the grant of options was replaced by the grant of restricted shares whereby these shares cannot be sold or transferred for 12 months. Grants to directors and employees in 2008 were as follows:

	<u>Number of shares</u>	<u>Share price at date of grant</u>	<u>2008 Expense (US\$'000)</u>
Directors.....	6,373	114.07	727
Total.....	6,373		727

Grants to directors and employees in 2007 were as follows:

	<u>Number of shares</u>	<u>Share price at date of grant</u>	<u>2007 Expense (US\$'000)</u>
Directors.....	5,034	85.86	432
Employee share grants relating to 2006	4,017	80.39	323
Total.....	9,051		755

Compensation expense for the total number of shares awarded in 2008 to directors was measured on the grant dates, the date of the Annual General Meeting of Shareholders on May 27, 2008 and on May 29, 2007, using Millicom's closing share price as quoted on the NASDAQ National Market on that dates.

Compensation expense for the total number of shares awarded to employees was measured on the grant date, the date the employees were notified of their individual share allocations on April 4, 2007, using Millicom's closing share price as quoted on the NASDAQ National Market on that date. The shares are subject to a restriction of a one-year holding period. As the shares related to services provided in 2006, they vested immediately on the grant date.

Long term incentive plans

In May 2006 at the Annual General Meeting a long term incentive plan (“2006 LTIP”) was approved although the terms and conditions of the plan were not finalized until 2007. This long term incentive plan was based on a target share award granted to eligible Millicom employees, limited to Millicom senior-level employees, key high potential employees and certain critical new recruits. The shares granted are subject to a one-year holding period once the shares are vested.

The shares awarded under the 2006 LTIP will vest at the end of a three year period, subject to specified market and performance conditions related to Millicom's share price growth compared to a peer group index, revenue growth, EBITDA margin, and profit margin. The achievement of a certain level of each condition, measured at the end of the three years, yields a specific percentage of shares awarded to each employee at the grant date.

The plan has been designed so that the shares normally vest at the end of the three-year performance period. However, for the performance period from 2006 through 2008 only, the shares granted vest 20% on December 31, 2006, 20% on December 31, 2007 and 60% on December 31, 2008. In addition at the end of the third-year performance period there was an additional 32% of shares that vested, because performance targets relating to Millicom's share price growth compared to a peer group index, revenue growth, EBITDA margin, and profit margin were achieved.

The total charge for the above plan was \$23 million which was recorded over the service period.

Long term incentive awards for 2008 (“2008 LTIP”) and 2007 (“2007 LTIP”) were approved by the Board on December 4 and on March 15, 2007. These plans consist of two elements: performance share plan and a matching share award plan.



The shares awarded under the performance share plan will vest at the end of a three year period, subject to performance conditions related to Millicom's "earnings per share". The achievement of a certain level of each condition, measured at the end of the three years, yields a specific percentage of shares awarded to each employee at the grant date.

The matching share award plan requires employees to invest in shares of the Group in order to receive potential matching shares. The shares awarded under this plan vest at the end of a three year period, subject to market conditions that are based on the "total shareholder return" ("TSR") of Millicom's shares compared to the TSR of five similar mobile telephony companies during the three-year period of the plan. A fair value has been determined for potential shares under this plan based on this market condition and this value is applied to the total potential number of matching shares and will be expensed over the vesting period. Under the matching share award plan rules, Millicom issued 9,344 new shares on June 16, 2008 and 9,214 new shares on June 22, 2007 which were purchased by employees at fair market value.

As at December 31, 2008, the total charge for the above plans was estimated at \$13 million for the 2008 LTIP and at \$15 million for the 2007 LTIP, both to be recorded over the service periods.

The number of share awards under the long term incentive plans is as follows:

	<u>Matching share award plan 2008</u>	<u>Performance shares 2008</u>	<u>Matching share award plan 2007</u>	<u>Performance shares 2007</u>	<u>Performance shares 2006</u>
Maximum share awards	168,396	223,829	187,470	253,489	446,600
Revision for expected forfeitures	(37,061)	(3,991)	(59,021)	(15,817)	(109,509)
Revision for expectations in respect of performance conditions.....	—	(195,850)	—	(142,588)	(25,520)
Shares issued	—	—	—	—	(108,760)
Share awards expected to vest.....	131,335	23,988	128,449	95,084	202,811

Bonus shares

A charge of \$1 million was recorded in 2008 (2007 and 2006: nil) as bonus shares.

Total share-based compensation expense

Total share-based compensation for years ended December 31, 2008, 2007 and 2006 was as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
	<u>US\$ '000</u>	<u>US\$ '000</u>	<u>US\$ '000</u>
Share options.....	364	627	2,781
Restricted share grants	727	755	2,363
2006 LTIP	4,087	10,971	7,706
2007 LTIP	2,979	6,875	—
2008 LTIP	4,237	—	—
Bonus shares.....	1,225	—	—
Total share-based compensation expense	13,619	19,228	12,850



23. OTHER RESERVES

	<u>Legal reserve</u> US\$ '000	<u>Equity-settled transaction reserve</u> US\$ '000	<u>Equity component convertible notes</u> US\$ '000	<u>Currency translation reserve</u> US\$ '000	<u>Revaluation reserve</u> US\$ '000	<u>Total</u> US\$ '000
As at January 1, 2006	13,577	4,910	39,109	(76,121)	3,308	(15,217)
Fair value adjustment.....	—	—	—	—	(3,308)	(3,308)
Net shares issued via the exercise of share options.....	—	(1,549)	—	—	—	(1,549)
Share based compensation.....	—	10,487	—	—	—	10,487
Currency translation movement.....	—	—	—	12,553	—	12,553
As at December 31, 2006	13,577	13,848	39,109	(63,568)	—	2,966
Transfer from retained profit.....	1,526	—	—	—	—	1,526
Net shares issued via the exercise of share options.....	—	(3,838)	—	—	—	(3,838)
Share based compensation.....	—	18,473	—	—	—	18,473
Issuance of shares - 2006 LTIP.....	—	(4,523)	—	—	—	(4,523)
Conversion of part of the 4% Convertible Notes.....	—	—	(196)	—	—	(196)
Currency translation movement.....	—	—	—	31,149	—	31,149
As at December 31, 2007	15,103	23,960	38,913	(32,419)	—	45,557
Transfer from retained profit.....	262	—	—	—	—	262
Net shares issued via the exercise of share options.....	—	(937)	—	—	—	(937)
Share based compensation.....	—	11,666	—	—	—	11,666
Issuance of shares – 2006 LTIP.....	—	(3,963)	—	—	—	(3,963)
Conversion of part of the 4% Convertible Notes.....	—	—	(38,913)	—	—	(38,913)
Currency translation movement.....	—	—	—	(60,846)	—	(60,846)
As at December 31, 2008	15,365	30,726	—	(93,265)	—	(47,174)

Legal reserve

On an annual basis, if the Company reports a net profit for the year 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.

At the Company's Annual General Meeting in May 2008, the shareholders voted to transfer \$0.3 million from retained profits to the legal reserve.

Equity-settled transaction reserve

The cost of share options is recognised as an increase in the Equity-settled transaction reserve over the period in which the performance and/or service conditions are fulfilled. If the options are subsequently exercised then the cost attributed to these options is transferred from the Equity-settled transaction reserve to the share premium. The reserve will be transferred to the share premium account when the shares vest.



Equity component convertible notes

The portion of the convertible bond representing the fair value of the conversion option at the time of issue is included in equity reserve.

In October 2007, \$1 million of the 4% Convertible Notes were converted into 28,686 SDRs. The equity component of the 4% Convertible Notes was then reduced by \$0.2 million and reclassified to share premium.

On January 22, 2008, Millicom converted a further \$196 million of the outstanding bonds into 5,420,235 Ordinary Shares and 202,236 SDRs. On the same day Millicom repaid in cash the remaining \$3 million of bonds that were not converted, including accrued interest. The conversion resulted in an increase of equity amounting to \$175 million in January 2008. The equity component of the 4% Convertible Notes was then fully reversed and, for that part referred to the converted bonds, reclassified to share premium.

Currency translation reserve

For the purposes of consolidating joint ventures, associates and subsidiaries with functional currencies other than U.S. dollars, their balance sheets are translated to U.S. dollars using the closing exchange rate. Profit and loss accounts are translated to U.S. dollars at the average exchange rates during the year. The currency translation reserve includes foreign exchange gains and losses arising from the translation of financial statements.

24. BORROWINGS

Borrowings are comprised of the following:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Corporate debt:		
10% Senior Notes.....	453,471	479,826
4% Convertible Notes—debt component(i).....	—	178,940
Other Debt and Financing.....	1,704,555	1,175,525
Total borrowings	2,158,026	1,834,291

(i) Excludes the fair value of the equity component.

Borrowings due after more than one year:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Corporate debt:		
10% Senior Notes.....	453,471	—
Other debt and financing:		
Bank financing.....	1,111,989	831,749
Minority shareholders.....	229,624	229,561
Vendor financing.....	28,667	17,947
Finance leases.....	6,479	7,061
Total non-current other debt and financing	1,830,230	1,086,318
Less: portion payable within one year.....	(168,748)	(141,112)
Total other debt and financing due after more than one year	1,661,482	945,206



Borrowings due within one year:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000
Corporate debt:		
10% Senior Notes.....	—	479,826
4% Convertible Notes—debt component.....	—	178,940
	—	658,766
Other debt and financing:		
Bank financing	306,243	83,698
Vendor financing.....	21,484	5,509
Finance leases.....	69	—
Total current other debt and financing	327,796	89,207
Portion of non-current debt payable within one year	168,748	141,112
Total other debt and financing due within one year	496,544	230,319

The following table provides details of net debt change for the years 2008, 2007 and 2006:

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000	<u>2006</u> US\$ '000
Net debt at the beginning of the year	659,694	836,964	636,056
Cash items			
Proceeds from issuance of debt and other financing.....	1,206,607	545,351	308,785
Repayment of debt and other financing.....	(664,294)	(315,955)	(191,430)
Net decrease (increase) in cash and cash equivalents.....	500,402	(517,905)	(60,125)
Non-cash items			
Vendor financing (see note 27)	48,632	23,041	65,870
Interest accretion.....	30,532	8,419	16,248
10% Senior Notes adjustment.....	(28,545)	31,035	—
Conversion of the 4% Convertible Notes.....	(176,247)	—	—
Exchange of the 5% Exchangeable Notes (see note 27).....	—	—	(357,512)
Debt acquired in acquisition of subsidiaries (see note 4)	3,387	—	403,690
Other.....	(15,442)	1,861	4,219
Exchange movement on debt and other financing.....	(80,895)	46,883	11,163
Net debt at the end of the year	1,483,831	659,694	836,964

10% Senior Notes

On November 24, 2003, Millicom issued \$550 million aggregate principal amount of 10% Senior Notes (the "10% Senior Notes") due on December 1, 2013. The 10% Senior Notes bear interest at 10% per annum, payable semi-annually in arrears on June 1 and December 1. The effective interest rate is 10.7%.

The 10% Senior Notes are general unsecured obligations of Millicom and rank equal in right of payment with all future unsecured and unsubordinated obligations of Millicom. The 10% Senior Notes are not guaranteed by any of Millicom's subsidiaries, joint ventures or affiliates, and as a result are structurally subordinated in right of payment to all indebtedness of such subsidiaries, joint ventures and affiliates.

If Millicom experiences a Change of Control Triggering Event, defined as a rating decline resulting from a change in control, each holder will have the right to require Millicom to repurchase its notes at 101% of their principal amount plus accrued and unpaid interest and all other amounts due, if any.

During 2007, Millicom repurchased \$90 million of the 10% Senior Notes incurring in a charge of \$5 million which is recorded under the caption "Other non operating income (expenses), net".



In October 2007, Millicom decided that it would redeem the balance of the Notes in December 2008 and pay the contractual redemption premium of 5%. As a result, Millicom reclassified the 10% Senior Notes from non current to current and recorded an additional interest expense of \$31 million for the year ended December 31, 2007, which represented the increase in financial liabilities due to the recognition of the 5% pre-payment expense and an increase in the amortised cost of the Notes due to the earlier settlement date. Millicom reviewed its position to early repay the Notes in September 2008 and the Board of Directors decided not to early redeem the Notes but to keep them until the contractual maturity date (December 1, 2013). This decision impacted the future expected cash flows and, as a result, the 5% premium accrued in 2007 was completely reversed and an interest income amounting to \$29 million was recorded in 2008. In addition the 10% Notes were reclassified as non-current.

4% convertible Notes

In January 2005, Millicom raised \$200 million aggregate principal amount of 4% Convertible Notes due 2010 (the "4% Convertible Notes"). The net proceeds of the offering were received on January 7, 2005 in the amount of \$196 million.

The 4% Convertible Notes were general unsecured obligations of Millicom and rank equal in right of payment with all future unsecured and unsubordinated obligations of Millicom. The rate of interest payable on the 4% Convertible Notes was 4% per annum. Interest is payable semi-annually in arrears on January 7 and July 7 of each year, beginning on July 7, 2005. The effective interest rate was 9.6%.

The 4% Convertible Notes were constituted by a trust deed dated January 7, 2005 between Millicom and The Bank of New York, as Trustee for the holders of notes.

Millicom apportioned part of the value of the 4% Convertible Notes to equity and part to debt. The value allocated to equity as of December 31, 2007 was \$39 million (2006: \$39 million) and the value allocated to debt was \$179 million (2006: \$171 million).

As of December 31, 2007, \$1 million of the 4% Convertible Notes were converted into 28,686 SDRs.

On January 22, 2008, Millicom converted a further \$196 million of the outstanding bonds into 5,420,235 Ordinary Shares and 202,236 SDRs. On the same day Millicom repaid in cash the remaining \$3 million of bonds that were not converted, including accrued interest. The conversion resulted in an increase of equity amounting to \$175 million in January 2008.

Other Debt and Financing

Millicom's share of total other debt and financing analyzed by operation is as follows:

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
Amnet (i).....	231,523	—
Bolivia (ii).....	103,111	41,874
Colombia (iii).....	456,356	436,670
Democratic Republic of Congo (iv).....	63,256	60,877
El Salvador (v).....	192,045	199,715
Ghana (vi).....	138,999	108,244
Honduras (vii).....	90,817	56,961
Paraguay (viii).....	64,147	26,019
Senegal (ix).....	58,309	62,557
Tanzania (x).....	168,793	51,471
Other.....	137,199	131,137
Total other debt and financing.....	1,704,555	1,175,525
Of which:		
due after more than 1 year.....	1,208,011	945,206
due within 1 year.....	496,544	230,319



Significant individual financing facilities are described below:

i) Amnet

In October 2008 Millicom Cable N.V. signed a 1 year financing agreement with RBS and Standard Bank for \$200 million to partly finance the acquisition of Amnet. The loan bears interest for the first six months at \$LIBOR plus 2.5%, for months seven to nine at \$LIBOR plus 2.875% and months ten to twelve at \$LIBOR plus 3.125%. The loan was increased by \$30 million in December 2008 through a financing agreement with Nordea. The total loan, amounting to \$230 million, is fully guaranteed by the Company. \$230 million was outstanding as at December 31, 2008.

In addition as at December 31, 2008, Amnet had other debt and financing of \$2 million.

ii) Bolivia

In December 2007, Telefonica Celular de Bolivia SA ("Telecel Bolivia"), Millicom's operation in Bolivia, signed a financing agreement for \$40 million with the Nederlandse Financieringsmaatschappij Voor Ontwikkelingslanden, N.V. (FMO), also known as the Netherlands Development Finance Company. The A tranche of \$20 million was provided directly by the FMO. This tranche is repayable over 7 years and bears an interest at \$ LIBOR rate plus 2.25%. The B tranche of \$20 million is provided equally by Nordea and Standard bank. This tranche is repayable over 5 years and bears interest at \$ LIBOR plus 2%. Both tranches are guaranteed by the Company and were fully drawn as at December 31, 2008 and 2007.

In March 2008, Telecel Bolivia signed a 4 year and 9 months financing agreement for \$30 million with the International Finance Corporation. The loan bears interest at \$LIBOR plus 2% and is fully guaranteed by the Company. This loan was fully drawn as at December 31, 2008.

In addition to the above, Telecel Bolivia also had vendor financings with Huawei (at interest rates of \$LIBOR plus 2%) and FPLT totalling \$32 million and \$1 million of other debt and financing outstanding as at December 31, 2008 (2007: \$2 million).

iii) Colombia

In March 2008, Colombia Movil S.A. E.S.P ("Colombia Movil"), Millicom's operation in Colombia, entered into a COP 393 billion (\$173 million), 5 year facility with a club of Colombian banks. This facility bears interest at DTF plus 4.5% and is 50% guaranteed by the Company. As at December 31, 2008 \$173 million was outstanding on this facility.

In October 2006, the Company acquired a majority ownership 50% plus 1 share in Colombia Movil. At the time of the acquisition the Company had a COP 168,539 million (\$83 million) Hermes guaranteed export credit facility with Citigroup maturing in January 2012. This facility bears interest at IPC plus 6.30% and is 100% guaranteed by the minority shareholders. As at December 31, 2008 \$37 million (2007: \$54 million) was outstanding under this facility. In addition at the time of acquisition Colombia Movil also had a COP 309,800 million (total of \$154 million, of which \$94 million outstanding as at December 31, 2007) loan facility arranged by BBVA which was settled in 2008. This facility was bearing interest at DTF plus 4.15% and was 100% guaranteed by the minority shareholders.

Colombia Movil S.A. E.S.P. also had local currency loans from the minority shareholders outstanding as at December 31, 2008 of \$230 million (2007: \$230 million). These loans bear interest at DTF plus 4.15% and mature between 2011 and 2013.

In addition, as at December 31, 2008 Colombia Movil S.A. E.S.P. had no outstanding amount in respect of local currency 60 day treasury credits from various banks (2007: \$57 million) and \$16 million (2007: \$2 million) of other debt and financing, in US\$ and local currency.

iv) Democratic Republic of Congo

In September 2006, Oasis S.P.R.L. ("Oasis"), Millicom's operation in the Democratic Republic of Congo, entered into a \$106 million, 7 year loan from the China Development Bank to finance equipment purchases from Huawei, an equipment supplier. The loan bears interest at \$ LIBOR plus 2% and is repayable over 17 equal quarterly installments commencing in 2009. This financing is 100% guaranteed by the Company. As of December 31, 2008, \$59 million was outstanding under this facility (2007: \$56 million) and in addition Oasis had other debt and financing of \$4 million (2007: \$5 million).



v) El Salvador

In September 2006, Telemovil El Salvador S.A., Millicom's operation in El Salvador, entered into a \$200 million 5 year loan. The loan was syndicated amongst a group of local and international banks and was arranged by ABN AMRO, Citigroup and Standard Bank. The loan bears interest at \$ LIBOR plus 1.75%. As of December 31, 2008, \$180 million of this facility was outstanding (2007: \$200 million).

In December 2008, Telemovil El Salvador S.A., entered into a \$12 million 2 year loan with Banco Agrícola Comercial S.A. The loan bears interest at \$ LIBOR plus 6%. As of December 31, 2008, the loan was fully drawn.

vi) Ghana

In December 2007 Millicom (Ghana) Limited, Millicom's operation in Ghana, entered into a \$60 million local 5 year club-deal Facility. The loan bears interest at Libor plus 2 %. In parallel a \$80 million offshore 7 year DFI (Development Finance Institution) financing which bears interest at Libor plus 2.25% was arranged. As at December 31, 2008, \$139 million (2007: \$90 million) was outstanding under these facilities.

In July 2005, Millicom (Ghana) Limited entered into a \$20 million loan agreement with Citibank N.A., 75% guaranteed by the Overseas Private Investment Corporation and 100% guaranteed by the Company. This loan was bearing interest at \$ LIBOR plus 2.5% and was repaid in 2008. As at December 31, 2007, \$15 million was outstanding under this facility.

In addition as at December 31, 2008, Ghana had no other debt and financing (2007: \$3 million).

vii) Honduras

Telefonica Celular S.A., Millicom's operation in Honduras, has facilities with several local banks maturing between 2009 and 2015. These facilities are in dollars and in Lempiras and are unsecured. Interest rates are either fixed or variable, ranging as of December 31, 2008 between 7.4% and 16% (2007: between 7.28% and 10.25%). As at December 31, 2008, the outstanding debt under these facilities was \$91 million (2007: \$57 million).

viii) Paraguay

In July 2008, Telefonica Cellular Del Paraguay, Millicom's operation in Paraguay entered into a \$107 million, 8 year loan with the European Investment Bank ("EIB"). The loan is bearing interest at \$LIBOR plus 0.125%. The outstanding amount as at December 31, 2008 was \$50 million. The EIB is guaranteed for commercial risks by a group of banks.

In addition as at December 31, 2008, Telefonica Cellular Del Paraguay had \$14 million (2007: \$26 million) of other debt and financing outstanding.

ix) Senegal

In December 2005, Sentel GSM, Millicom's operation in Senegal entered into a XAF12,500 million loan agreement with Crédit Lyonnais Sénégal ("CLS"). This loan bears a fixed interest rate of 8% and is fully repayable at maturity, in December 2010. The outstanding amount in US\$ as at December 31, 2008 was \$26 million (2007: \$28 million). Sentel GSM also entered into a 5 year additional Tranche of XAF7,500 million with CLS in July 2007. This tranche bears an 8.5% fixed interest rate and was fully drawn at the end of 2007. The outstanding amount under this additional Tranche in US\$ as at December 31, 2008 was \$14 million (2007: \$17 million). As at December 31, 2008 Sentel GSM was in breach of its debt covenants under the above facilities and as such these loans were reclassified as current. Negotiations are in progress with the bank to maintain the facilities and to waive the covenants.

In September 2006, Sentel GSM additionally entered into a XAF2,500 million bridge loan with the Compagnie Bancaire de l'Afrique Orientale (CBAO). This loan was bearing interest at 7% and was repaid in March 2008 (outstanding amount as at December 31, 2007 amounted to \$1 million). Additionally in 2007, Sentel GSM entered into a new short term facility with CBAO amounting in to XAF7,500 million maturing on October 31, 2008 and bearing fixed interest of 6.5%. The facility has been rolled over and the amount outstanding as at December 31, 2008 was \$18 million (2007: \$17 million).



x) **Tanzania**

In December 2008, Millicom Tanzania Limited, Millicom's operation in Tanzania entered into facilities totaling \$228 million comprising of a five year local currency syndicated tranche for TZS95 billion at the 180 days treasury Bill rate plus 3%, a seven year \$116 million EKN guaranteed financing with 45% of the facility fixed at 4.1% and 55% of the facility at \$LIBOR plus 0.665% and a seven year \$40 million tranche with Proparco at \$LIBOR plus 2.5%. All tranches are 100% guaranteed by the Company. As at December 31, 2008, the amount outstanding under these facilities was \$152 million.

In March 2007 Millicom Tanzania Limited entered into a new 5 year Citi-Opic facilities, bearing interest rate of LIBOR plus 2.5%, composed of a \$17.4 million \$ Tranche and a Tranche in local currency up to the equivalent of \$5 million. The outstanding US\$ amount under these facilities as at December 31, 2008 amounted to \$17 million (2007: \$23 million).

At the same time Millicom Tanzania Limited entered into a 5 year \$10 million Term Loan with Barclays bearing interest of LIBOR plus 3% and a 5 year \$16.5 million vendor financing with Ericsson credit AB, priced at LIBOR plus 2.5%. The amount outstanding as at December 31, 2008 was nil (2007: \$8 million) under the Barclays loan and nil (2007: \$14 million) under the Ericsson loan.

Millicom Tanzania Limited had no other debt and financing outstanding as at December 31, 2008 (2007: \$6 million).

Fair value of financial liabilities

Borrowings are recorded at amortised cost. The fair value of borrowings as at December 31, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
10% Senior Notes.....	418,223	489,459
4% Convertible Notes (i).....	-	199,000
Other debt and financing.....	1,706,988	1,173,252
Fair value of total debt.....	2,125,211	1,861,711

(i) Excludes the fair value of the equity component.

When the quoted price of the borrowings in an active market is not available, the fair value of the borrowings is calculated by discounting the expected future cash flows at market interest rates.

The nominal value of the other financial liabilities is assumed to approximate their fair values.

Guarantees

In the normal course of business, Millicom has issued guarantees to secure some of the obligations of some of its operations under bank and supplier financing agreements. The tables below describe the outstanding amount under the guarantees and the remaining terms of the guarantees as of December 31, 2008 and 2007. Amounts covered by bank guarantees are recorded in the consolidated balance sheets under the caption "Other debt and financing" and amounts covered by supplier guarantees are recorded under the caption "Trade payables" or "Other debt and financing" depending on the underlying terms and conditions.

As of December 31, 2008

<u>Terms</u>	<u>Bank and other financing guarantees(i)</u>		<u>Supplier guarantees</u>		<u>Total</u>	
	<u>Outstanding</u>	<u>Maximum</u>	<u>Outstanding</u>	<u>Maximum</u>	<u>Outstanding</u>	<u>Maximum</u>
	<u>exposure</u>	<u>exposure</u>	<u>exposure</u>	<u>exposure</u>	<u>exposure</u>	<u>exposure</u>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
0-1 year.....	233,077	240,000	-	-	233,077	240,000
1-3 years.....	22,830	32,998	-	-	22,830	32,998
3-5 years.....	353,012	415,558	-	-	353,012	415,558
More than 5 years.....	102,902	194,022	-	-	102,902	194,022
Total(iii).....	711,821	882,578	-	-	711,821	882,578

As of December 31, 2007

<u>Bank and other financing guarantees(i)</u>	<u>Supplier guarantees(ii)</u>	<u>Total</u>
---	--------------------------------	--------------



Terms	Outstanding	Maximum	Outstanding	Maximum	Outstanding	Maximum
	exposure	exposure	exposure	exposure	exposure	exposure
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
0-1 year.....	-	-	-	-	-	-
1-3 years.....	36,335	50,205	1,200	1,200	37,535	51,405
3-5 years.....	80,557	102,606	-	-	80,557	102,606
More than 5 years.....	89,598	166,000	-	-	89,598	166,000
Total.....	206,490	318,811	1,200	1,200	207,690	320,011

(i) The guarantee ensures payment by the Group's Company guarantor of outstanding amounts of the underlying loans in the case of non payment by the obligor.

(ii) The guarantee ensures payment by the Group's Company guarantor of outstanding amounts of the underlying supplier financing in the case of non payment by the obligor.

(iii) Including discontinued operations.

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 is \$1,313 million (2007: \$739 million). The assets pledged by the Group for these debts and financings amount to \$610 million (2007: \$449 million).

25. OTHER NON-CURRENT AND CURRENT PROVISIONS AND LIABILITIES

Provisions and other non-current liabilities are comprised as follows:

	2008	2007
	US\$ '000	US\$ '000
Non-current legal provisions (note 28).....	6,957	7,133
Long-term portion of asset retirement obligations.....	55,167	42,502
Unpaid portion of license fees.....	-	915
Other.....	7,884	5,051
Total.....	70,008	55,601

Included in non-current legal provisions are litigation contingencies of \$3 million (2007: \$4 million) that were assumed as part of the Colombia Móvil S.A. acquisition. The founding shareholders of Colombia Móvil S.A. committed to reimburse Millicom for any payments relating to these litigation contingencies. As a consequence, Millicom has booked a corresponding receivable.

Provisions and other current liabilities are comprised as follows:

	2008	2007
	US\$ '000	US\$ '000
Deferred revenues.....	79,670	82,932
Revenue sharing in Cambodia.....	21,449	11,960
Subscriber deposits.....	6,709	4,890
Current legal provisions (note 28).....	3,006	3,207
Asset retirement obligations.....	209	413
Unpaid portion of license fees.....	1,584	2,745
Other tax payables.....	50,703	32,939
Other(i).....	43,776	15,905
Total.....	207,106	154,991

(i) Includes tax and other contingencies for \$24 million (2007: nil) that were assumed as part of the Amnet acquisition. The former shareholders of Amnet placed in escrow \$35 million to cover these contingencies. Therefore a corresponding financial asset of \$24 million has been recorded within "Other current assets".



26. DIRECTORS' AND OFFICERS' REMUNERATION

Directors

The remuneration of the members of the board of directors of the Company (the "Board") is comprised of an annual fee and share-based compensation. Up until May 2006, the Directors were issued share options. Subsequent to May 2006, the Directors are issued restricted shares. The annual fee and the share based compensation grants are proposed by the Board and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

The remuneration charge for the Board for the years ended December 31, 2008, 2007 and 2006 was as follows:

	Chairman No. of shares and share options	US\$ '000	Other members of the board No. of shares and share options	US\$ '000	Total US\$ '000
2008					
Fees.....		100		410	510
Share based compensation: (i)					
Restricted shares (ii).....	1,446	165	4,927	562	727
Total.....		265		972	1,237
2007					
Fees.....		82		305	387
Share based compensation: (i)					
Restricted shares (ii).....	960	82	4,074	350	432
Total.....		164		655	819
2006					
Fees.....		75		415	490
Share based compensation: (i)					
Restricted shares (ii).....	1,122	50	8,976	400	450
Charge for share options		164		1,104	1,268
Total.....		289		1,919	2,208

(i) See note 22.

(ii) Restricted shares cannot be sold for one year from date of issue.

The number of shares and share options beneficially owned by the Board as at December 31, 2008 and 2007 was as follows:

	Chairman	Other members of the Board	Total
2008			
Shares.....	28,528	71,619	100,147
Share options.....	20,000	55,000	75,000
2007			
Shares (i)	2,082	2,100,753	2,102,835
Share options.....	45,000	55,000	100,000

(i) The amount for Other members of the Board included 2,032,932 shares owned by the Stenbeck Family, of which 1,156,589 shares were held by The 1980 Stenbeck Trust.

Officers

The remuneration of the Officers of the Company ("Officers") comprises of an annual base salary, an annual bonus, share-based compensation, social security contributions, pension contributions and other benefits. The bonus and share-based compensation plans are based on actual performance (including individual and Group performance). Up until May 2006, the Officers were issued share options. Subsequent to May 2006, the Officers were issued restricted shares. Share-based compensation is granted once a year by the Compensation Committee of the Board. For 2006, the annual base salary and other benefits of the Chief Executive Officer ("CEO") was proposed by the Compensation Committee and approved the Board and the annual base



salary and other benefits of the Chief Operating Officer (“COO”) and Chief Financial Officer (“CFO”) were set by the CEO and approved by the Board.

The remuneration charge for the Officers for the year ended December 31, 2008, 2007 and 2006 was as follows:

	Chief Executive Officer US\$ '000	Chief Operating Officer US\$ '000	Chief Financial Officer(vi) US\$ '000
2008			
Base salary.....	2,406	750	920
Bonus.....	1,309	882	125
Pension.....	—	—	85
Other benefits.....	—	231	7
<i>Total</i>	<i>3,715</i>	<i>1,863</i>	<i>1,137</i>
Share based compensation: (i)			
Shares issued/charge under long term incentive plans (ii).....	3,737	1,410	958
Charge for share options.....	59	29	240
2007			
Base salary.....	2,351	629	690
Bonus.....	2,008	547	500
Pension.....	—	—	83
Other benefits.....	—	138	—
<i>Total</i>	<i>4,359</i>	<i>1,314</i>	<i>1,273</i>
Share based compensation: (i).....			
Shares issued/charge under long term incentive plans (ii)	2,076	850	539
Charge for share options.....	104	54	171
2006			
Base salary.....	1,982	624	568
Bonus (iii).....	1,669	712	468
Pension.....	—	—	73
Other benefits.....	—	138	—
<i>Total</i>	<i>3,651</i>	<i>1,474</i>	<i>1,109</i>
Share based compensation: (i).....			
Restricted shares (iv).....	104	62	48
Charge for long term incentive plans (v).....	1,031	397	265
Share options granted/charge for share options.....	240	113	228

(i) See note 22.

(ii) Share awards of 45,074, 22,812 and 18,226 were granted in 2008 under the 2008 LTIP to the CEO, COO and CFO. Share awards of 62,381, 25,434 and 16,189 were granted in 2007 under the 2007 LTIP to the CEO, COO and CFO. Share awards at target performance of 42,634, 16,409 and 10,952 were granted in 2007 under the 2006 LTIP to the CEO, COO and CFO. The maximum shares to be issued under the 2006 LTIP was 132% of these awards .

(iii) \$1 million of the 2007 bonus was settled in Millicom shares, by issuing 6,878 shares to the CEO, 2,609 shares to the COO and 1,713 shares to the CFO. \$1 million of the 2006 bonus was settled in Millicom shares, by issuing 7,975 shares to the CEO, 3,390 shares to the COO and 2,235 shares to the CFO.

(iv) Restricted shares cannot be sold for one year from date of issue.

(v) Accrual for the 2006 Long Term Incentive Plan finalized in 2007.

(vi) Includes the remuneration for 2008 of the former CFO, David Sach, and the actual CFO, Francois Xavier Roger, who took over the position from September 1, 2008.



The number of shares, share options and unvested share awards beneficially owned by the senior management as at December 31, 2008 and 2007 was as follows:

	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Total
2008				
Shares.....	1,695,175	592,308	—	2,287,483
Share options	30,000	15,040	—	45,040
Share awards not vested.....	146,678	63,342	4,500	214,520
2007				
Shares.....	1,664,770	578,897	9,700	2,253,367
Share options	45,000	22,560	100,000	167,560
Share awards not vested.....	96,488	38,561	24,951	160,000

Severance payments

If employment of the CEO and the COO is terminated by Millicom, severance payment of up to 12 months salary is payable.

27. NON-CASH INVESTING AND FINANCING ACTIVITIES

The following table gives details of non-cash investing and financing activities for continuing operations for the years ended December 31, 2008, 2007 and 2006.

	<u>2008</u> US\$ '000	<u>2007</u> US\$ '000	<u>2006</u> US\$ '000
Investing activities			
Sale of Tele2 AB "B" shares.....	—	—	252,140
Acquisition of property, plant and equipment (see note 16).....	(48,632)	(23,041)	(65,870)
Derecognition of the embedded derivative on the 5% Mandatory Exchangeable Notes.....	—	—	105,372
Asset retirement obligations (see note 16).....	(12,505)	(15,305)	(16,378)
Financing activities			
Vendor financing (see note 16)	48,632	23,041	65,870
Settlement of the 5% Mandatory Exchangeable Notes.....	—	—	(357,512)
Shares issued as payment of bonuses.....	—	1,000	—
Share based compensation (see note 22)	13,619	19,228	12,850



28. COMMITMENTS AND CONTINGENCIES

Operational environment

Millicom has operations in emerging markets, namely Asia, Latin America and Africa, where the regulatory, political, technological and economic environments are evolving. As a result, there are uncertainties that may affect future operations, the ability to conduct business, foreign exchange transactions and debt repayments and which may impact upon agreements with other parties. In the normal course of business, Millicom is involved in discussions regarding taxation, interconnect, license renewals and tariffing arrangements, which can have a significant impact on the long-term economic viability of its operations.

Litigation

The Company and its operations are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of December 31, 2008, the total amount of claims against Millicom's operations was \$70 million (December 31, 2007: \$50 million) of which \$3 million (2007: \$1 million) relate to joint ventures. As at December 31, 2008, \$10 million (December 31, 2007: \$10 million) has been provided for these contingent liabilities in the consolidated balance sheet. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these contingencies, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group's financial position and operations.

Sentel GSM S.A. ("Sentel") license

The Sentel license to provide mobile telephony services in Senegal is in dispute. As of today, Sentel continues to provide telephony services to its subscribers and effectively remains in control of the business. However, the government of the Republic of Senegal published on November 12, 2008 a decree dated as of 2001 that purports to revoke Sentel's license.

Sentel's twenty year license was granted in 1998 by a prior administration, before the enactment in 2002 of Senegal Telecommunications Act. Although the current Senegalese government has, since 2002, acknowledged the validity of Sentel license, it has also requested that Sentel renegotiate the terms of the license. Sentel has indicated its willingness to negotiate only certain enhancements to the license and data services and the extension of the duration of the license.

On November 11, 2008 Millicom International Operations B.V. (MIO B.V.), a wholly-owned Millicom subsidiary and Sentel instituted arbitration proceedings with the International Center for the Settlement of Investment Disputes (ICSID) against the Republic of Senegal under provisions of Sentel license and international law. MIO B.V. and Sentel seek compensation for the purported expropriation of the Senegal license and monetary damages for breach of the license.

On the same day, the Republic of Senegal instituted court proceedings in Senegal against Millicom and Sentel and has sought court approval for the revocation of Sentel's license and sought damages against Sentel and Millicom. Millicom believes that the action filed by the Republic of Senegal is baseless and also ignores the agreement between Sentel and the Republic of Senegal to submit any dispute concerning the license to an international arbitration forum.

Lease commitments

Operating Leases:

The Group has the following annual operating lease commitments as of December 31, 2008 and 2007.

	2008	2007
	US\$ '000	US\$ '000
Operating lease commitments		
Within: one year	43,113	25,732
Between: one-five years	140,581	101,191
After: five years.....	143,644	110,918
Total.....	327,338	237,841



The operating leases comprised mainly of lease agreements relating to land and buildings. The operating lease terms and conditions reflect normal market conditions. Operating lease expense from continuing operations was \$54 million in 2008 (2007: \$48 million, 2006: \$24 million).

Finance leases:

The Group's future minimum payments on the finance leases were not material. These financial leases are comprised mainly of lease agreements relating to vehicles used by the Group.

Capital commitments

The Company and its subsidiaries and joint ventures have fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of \$539 million (2007: \$400 million), of which \$57 (2007: \$88 million) relate to joint ventures, from a number of suppliers.

In addition, Millicom is committed to supporting Colombia Móvil S.A., its operation in Colombia, through loans and warranties. The maximum commitment is \$230 million and remains until the time the total support from Millicom equals the support from the founding shareholders of Colombia Móvil S.A.

Contingent assets

Due to the late delivery by suppliers of network equipment in various operations, Millicom is entitled to compensation. This compensation is in the form of discount vouchers on future purchases of network equipment. The amount of vouchers received but not recognised as they had not yet been used as at December 31, 2008 was \$26 million (2007: \$30 million).

Dividends

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.

29. RELATED PARTY TRANSACTIONS

Kinnevik

The Company's principal shareholder is Investment AB Kinnevik ("Kinnevik") and subsidiaries. Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing, paper industries and financial services. As of December 31, 2008, Kinnevik owned approximately 35% of Millicom (2007: 37%).

During 2008 and 2007, Kinnevik did not purchase any Millicom shares.

Services purchased and sold to related companies

For the year ended December 31, 2008 the Group made purchases for an amount of \$3 million (2007: \$4 million; 2006: \$5 million) and had outstanding balances as at December 31, 2008 of \$1 million (as at December 31, 2007: \$1 million) with related parties. These related parties are companies where Kinnevik is the principal shareholder. The services purchased and supplied covered fraud detection, network and IT support, acquisition of assets and customer care systems. These purchases were made on an arm's length basis.

There were no sales to related companies. As of December 31, 2008 and 2007, Millicom had no receivables from related parties.



30. FINANCIAL RISK MANAGEMENT

Interest rate risk

The interest rate risk generally arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to the risk for changes in market interest rates relates to both of the above. To manage the risk, the Group's policy is to maintain a combination of fixed and floating rate debt in which neither category of debt falls below 25% of the total debt. The Group actively monitors its borrowings to ensure the compliance with this policy. At December 31, 2008, approximately 26% of the Group's borrowings are at a fixed rate of interest (2007: 43%).

The table below summarizes, as at December 31, 2008, our fixed rate debt and floating rate debt:

	<u>Amounts due within</u>						<u>Total</u>
	<u>1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>>5 years</u>	
	(in thousands of U.S. Dollars, except percentages)						
Fixed rate.....	108,815	5,209	754	774	454,246	1,398	571,196
Average nominal interest rate.....	8.0%	7.8%	9.7%	9.1%	10.0%	6.3%	9.6%
Floating rate.....	387,729	200,841	334,352	313,519	263,749	86,640	1,586,830
Average nominal interest rate.....	6.0%	8.6%	9.1%	8.7%	8.4%	7.8%	8.0%
Total.....	496,544	206,050	335,106	314,293	717,995	88,038	2,158,026
Average nominal interest rate.....	6.4%	8.6%	9.1%	8.7%	9.4%	7.8%	8.4%

The table below summarizes, as at December 31, 2007, our fixed rate debt and floating rate debt:

	<u>Amounts due within</u>						<u>Total</u>
	<u>1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	<u>>5 years</u>	
	(in thousands of U.S. Dollars, except percentages)						
Fixed rate.....	716,916	13,260	43,328	11,400	8,262	2,289	795,455
Average nominal interest rate.....	8.5%	8.5%	8.6%	8.6%	8.6%	6.3%	8.5%
Floating rate.....	172,169	172,657	152,222	270,746	135,061	135,981	1,038,836
Average nominal interest rate.....	10.8%	9.9%	8.4%	9.5%	9.9%	9.5%	9.7%
Total.....	889,085	185,917	195,550	282,146	143,323	138,270	1,834,291
Average nominal interest rate.....	8.9%	9.8%	8.4%	9.5%	9.8%	9.4%	9.1%

A one hundred basis point fall or rise in market interest rates for all currencies in which the group had borrowings at December 31, 2008, would increase or reduce profit before tax for the year by approximately \$16 million (2007: \$10 million).

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures where the Group 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. In some cases, Millicom may borrow in US dollars because it is either advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or because US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom has currently decided to accept the remaining currency risk associated with the financing of 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.



The following table summarizes our debt detailing the balances at December 31, 2008 and 2007, that were denominated in US\$ and in other local currencies.

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
US\$.....	1,466,494	1,226,332
Colombia.....	456,356	435,615
Honduras.....	48,199	41,352
Senegal.....	58,309	62,557
Sri Lanka.....	37,007	48,016
Tanzania.....	74,536	5,516
Others.....	17,125	14,903
Total local currency.....	691,532	607,959
Total.....	2,158,026	1,834,291

At December 31, 2008, if the US\$ had weakened/strengthened by 10% against the other functional currencies of our operations and all other variables held constant, then profit before tax would have increased/decreased by \$41 and \$45 million respectively (2007: \$13 and \$10 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with foreign functional currencies. The increase in the effect of a change in the rate of the US\$ between 2008 and 2007 is mainly as a result of the increase in the size of the Group and the increase in debt denominated in other than local currencies.

The change of the US\$ against the functional currencies of the operations located in Central America has not been considered as these currencies have been closely linked to US\$ in the recent years.

Credit risk

Financial instruments that potentially subject the Group to credit risk are primarily cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amount due from joint venture partners, supplier advances and other current assets. The counter parties to the 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 is a significant risk of non-performance by these counter parties.

A large portion of the turnover is made of prepaid airtime. For customers for which telecom services are not prepaid, 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 receivables are mainly derived from the balances towards other telecom operators. The credit risk towards the 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 the expected collectibility of all trade receivables.

There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has incurred 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 and interest payments and the capital expenditures required to maintain and develop local businesses.



The Group manages its liquidity risk through the use of bank overdrafts, bank loans (onshore and offshore), vendor financing, Export Credit Agencies and Direct Financial Institutions (“DFI”) and finance leases. We believe that there is sufficient liquidity available in our markets to meet our ongoing liquidity needs. As the Group operates in the emerging markets, we are able to take advantage of local liquidity. Additionally, we are able to arrange offshore funding through the use of Export Credit Agency guarantees and DFI (IFC, PROPARCO, DEG and FMO), who have been established specifically to finance development in our markets.

The tables below summarize the maturity profile of the Group’s net financial liability at December 31, 2008 and 2007.

Year ended 31 December 2008	<u>Less than 1</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	<u>year</u> US\$ '000	US\$ '000	US\$ '000	US\$ '000
Total borrowings (see note 24).....	(496,544)	(1,573,444)	(88,038)	(2,158,026)
Cash and cash equivalent.....	674,195	—	—	674,195
Net cash (debt).....	177,651	(1,573,444)	(88,038)	(1,483,831)
Future interest commitments (i).....	(169,116)	(408,065)	(10,980)	(588,161)
Trade payables (excluding accruals).....	(524,557)	—	—	(524,557)
Other financial liabilities (including accruals).....	(634,563)	—	—	(634,563)
Trade receivables.....	257,455	—	—	257,455
Other financial assets.....	270,456	23,195	—	293,651
Net financial liability.....	(622,674)	(1,958,314)	(99,018)	(2,680,006)

Year ended 31 December 2007	<u>Less than 1</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	<u>year</u> US\$ '000	US\$ '000	US\$ '000	US\$ '000
Total borrowings (see note 24).....	(889,085)	(806,936)	(138,270)	(1,834,291)
Cash and cash equivalent.....	1,174,597	—	—	1,174,597
Net debt.....	285,512	(806,936)	(138,270)	(659,694)
Future interest commitments (i).....	(100,180)	(137,916)	(8,679)	(246,775)
Trade payables (excluding accruals) (ii).....	(609,858)	—	—	(609,858)
Other financial liabilities (including accruals) (ii).....	(421,302)	—	—	(421,302)
Trade receivables.....	223,579	—	—	223,579
Other financial assets.....	190,343	19,855	—	210,198
Net financial liability.....	(431,906)	(924,997)	(146,949)	(1,503,852)

(i) Include unamortized difference between carrying amount and nominal amount of debts.

(ii) Revenue sharing payable in Cambodia as at December 31, 2007 has been reclassified from “Trade payable (excluding accruals)” to “Other financial liabilities (including accruals)” (see note 25)

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2008 and 2007.



The Group monitors capital using primarily a net debt to adjusted operating profit ratio.

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
Net debt.....	1,483,831	659,694
Adjusted operating profit (see note 9).....	1,467,632	1,119,117
	Ratio	Ratio
Net debt to adjusted operating profit ratio.....	1.0	0.6

The Group also reviews its gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents, excluding discontinued operations. Capital represents equity attributable to the equity holders of the parent.

	<u>2008</u>	<u>2007</u>
	US\$ '000	US\$ '000
Net debt.....	1,483,831	659,694
Equity.....	1,677,918	1,287,907
Net debt and equity	3,161,749	1,947,601
Gearing ratio.....	47%	34%

31. SUBSEQUENT EVENTS

Appointment of Mikael Grahne to Chief Executive Officer

On March 2, 2009, Millicom announced that the Board appointed Mikael Grahne to succeed Marc Beuls as President and Chief Executive Officer (CEO).

Mikael Grahne has been the Chief Operating Officer of Millicom since February, 2002 and has been responsible for the development of Millicom's operational strategies, including the development of the Tigo brand.

Purchase of partners' shareholding in Navega.com S.A.

On March 13, 2009, Millicom announced that its operation in Guatemala acquired the remaining 55% interest in Navega.com S.A. (see note 17) for a consideration of \$90 million, that will be financed through local borrowings.

Purchase of partners' shareholding in Millicom Tchad S.A.

On March 13, 2009, Millicom announced that it has reached an agreement on the purchase of the remaining 12.5% interest in Millicom Tchad S.A for an initial consideration of \$8 million, that will be paid cash.



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Financial Calendar

February 11, 2009
Full year results 2007

April 21, 2009
First quarter results

July 21, 2009
Second quarter results

October 20, 2009
Third quarter results

February 2010
Full year results 2009

