Millicom International Cellular SA
Annual Report and Accounts 2010

Tigo people make the difference

tigo

Millicom is a dedicated emerging markets telecoms operator. For our customers, present and future, we provide access to the world primarily through mobile devices. We develop innovative products and services that are affordable, useful and fun, and sell them from every street corner.

For our employees, we provide an exciting working environment, an outstanding team culture, progress on merit and unmatched international opportunities.

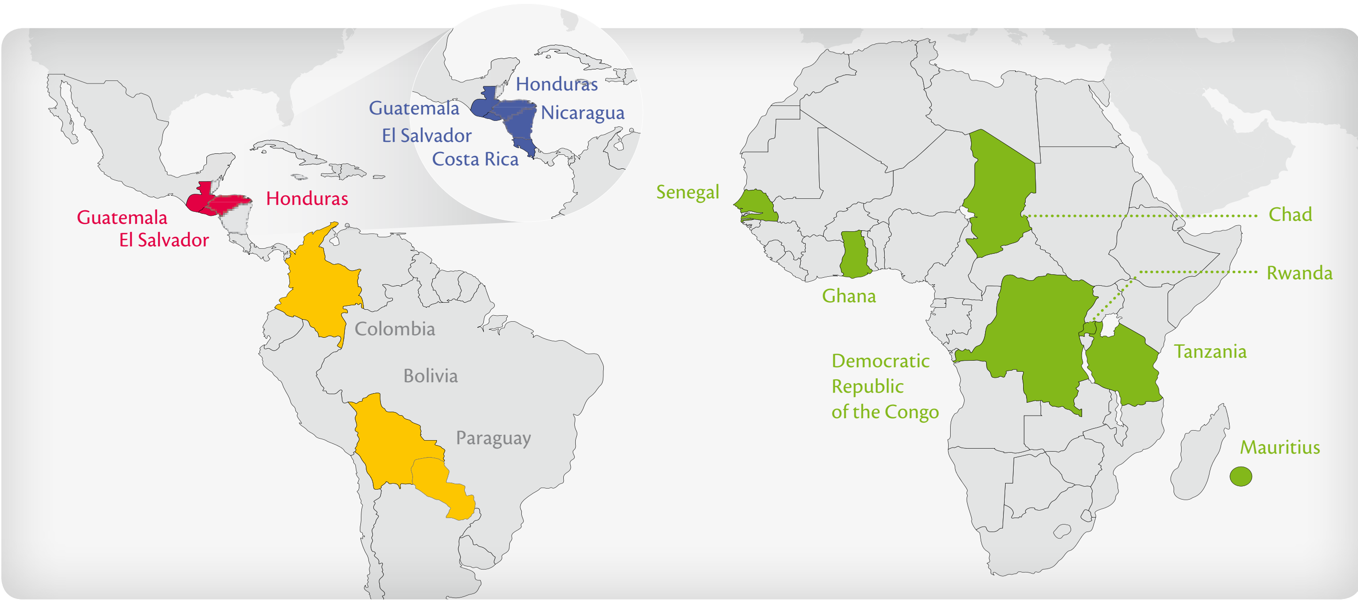
To our shareholders, we can demonstrate an excellent track record of profitable growth, based on significant network investment, a pioneering commitment to emerging markets and market-leading service innovation.

Looking ahead, we believe that rising voice penetration in Africa and the significant growth in data and services that is forecast across all our markets, represent attractive long term growth opportunities that we are well placed to capture.

Contents

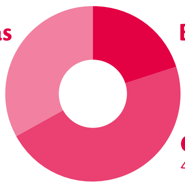
At a glance

Millicom provides voice, data, cable TV and value-added services to 39 million customers in emerging markets in Central America, South America and Africa.

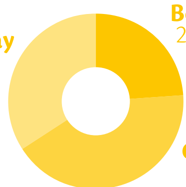


Mobile customers by market (%)

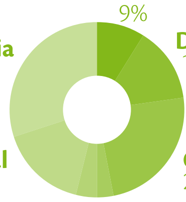
Central America



South America



Africa



Central America	
Population under license	28m
Revenue (US$m)	1,416
EBITDA (US$m)	785
Mobile customers ('000)	13,485
Cell sites	4,911
Outlets ('000)	149

South America	
Population under license	60m
Revenue (US$m)	1,374
EBITDA (US$m)	590
Mobile customers ('000)	10,139
Cell sites	4,606
Outlets ('000)	172

Africa	
Population under license	172m
Revenue (US$m)	905
EBITDA (US$m)	358
Mobile customers ('000)	14,965
Cell sites	4,006
Outlets ('000)	352

Cable	
Homes passed ('000)	1.3m
Revenue (US$m)	226
EBITDA (US$m)	108
Revenue Generating Units (RGUs) ('000)	670

2010 Highlights

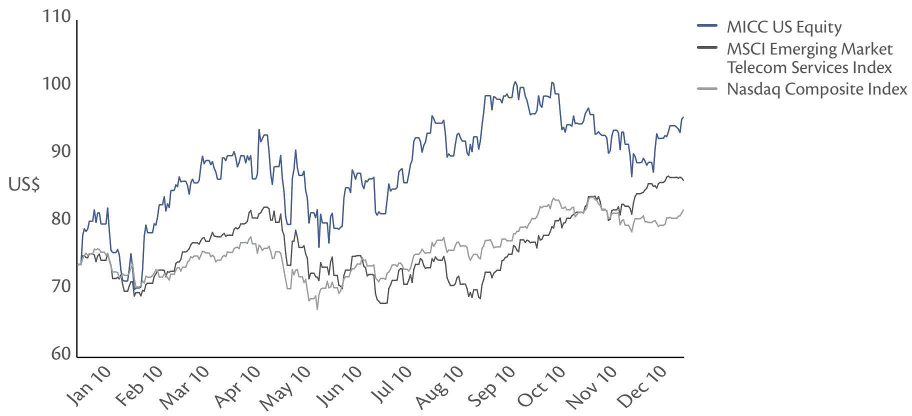
Financial highlights

- 11% constant currency revenue growth
- 29% growth in high margin Value-Added Service (VAS) revenues
- EBITDA margin of 47% – up 1pp year-on-year
- Weighted market share up 0.7pp on 2009
- Operating free cash flow of $1.07 billion or 26% of revenues
- Mobile customers up 14% to 38.6 million

Operational/strategic highlights

- Number one position in six markets, number two position in six markets
- Launch of Tigo Cash domestic money transfer services in three markets
- Formation of three tower companies in Africa creating more than $400 million of value through cash and equity and expected future cost savings
- Significant shareholder remuneration, close to $1 billion
- Capital restructuring and improved debt efficiency

Share price performance



Key performance indicators

Revenue (US$m)

2010	3,920
2009	3,373
2008	3,151
2007	2,429
2006	1,423

EBITDA (US$m)

2010	1,841
2009	1,545
2008	1,366
2007	1,040
2006	658

EBITDA margin (%)

2010	47.0
2009	45.8
2008	43.4
2007	42.8
2006	46.2

Mobile customers (m)

2010	38.6
2009	33.9
2008	27.7
2007	20.3
2006	12.9

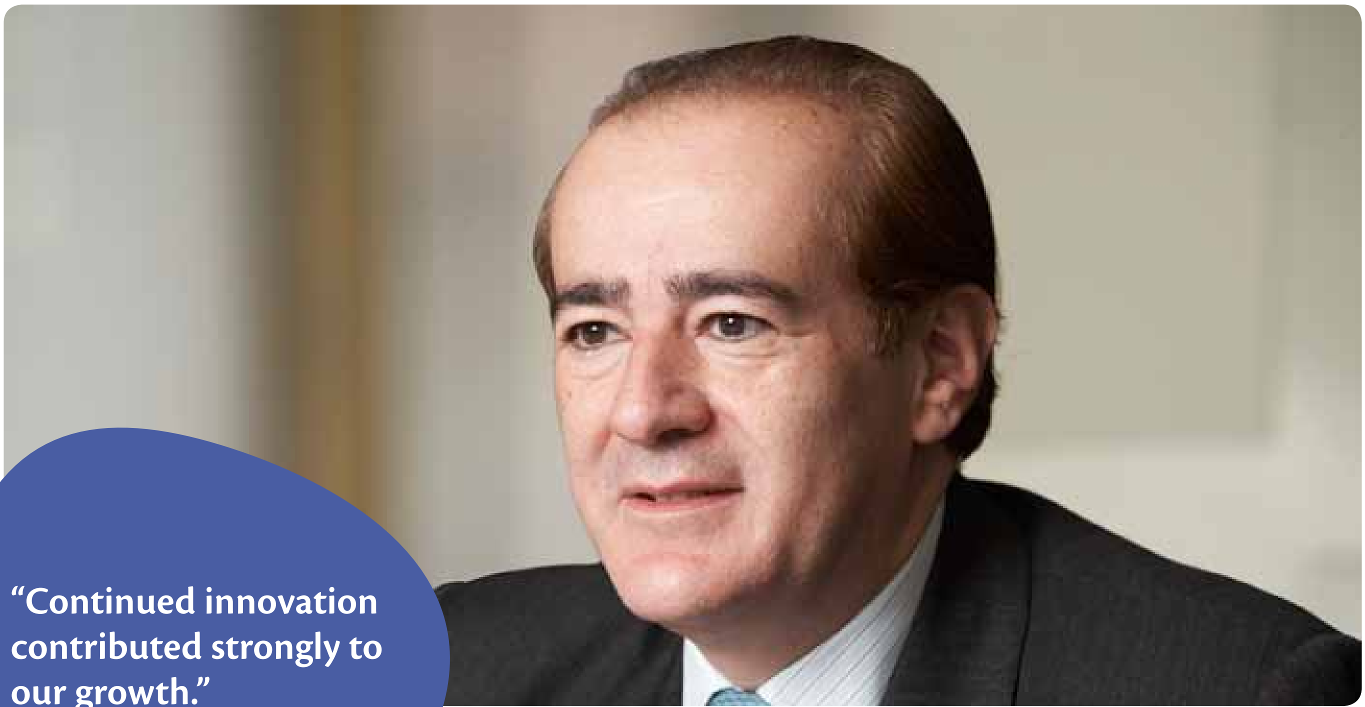
EPS (US$)

2010	15.3
2009	7.8
2008	4.8
2007	6.9
2006	1.7

Capex (US$m)

2010	731
2009	737
2008	1,277
2007	956
2006	521

Chairman's statement



"Continued innovation contributed strongly to our growth."
Allen Sangines-Krause

In 2010 Millicom celebrated the 20th anniversary of its formation as the company we know today. In December 1990, the Swedish company Industriförvaltnings AB Kinnevik and the American company Millicom Incorporated, which had independently been pursuing mobile telephony opportunities internationally since the early 1980s, contributed their respective interests in mobile joint ventures to form Millicom International Cellular. Since formation, Millicom has become a leading mobile operator in emerging markets with a strong track record of consistent, profitable growth. I am delighted that this trend has continued in 2010 despite a challenging operating environment.

In 2010 we accelerated our pace of innovation which contributed strongly to our growth. By the fourth quarter of 2010, revenues from Value-added services (VAS) were contributing almost a quarter of total mobile recurring revenues. In Latin America, growing customer insight and enhanced product offerings accelerated our voice and VAS businesses. In Africa, continued innovation around distribution and smart pricing enabled us to outperform our competitors.

The value of our top line growth in 2010 was enhanced by improving margins and very strong cash flow generation, with over $1 billion of operating free cash flow during the year, leaving us in a very strong financial position. During 2010 we returned close to $1 billion to shareholders through a combination of our $1.40 per share ordinary dividend, a $4.60 per share special dividend following the divestment of our assets in Asia and a $300 million share buy-back program. The Board is now proposing an ordinary dividend of $1.80 per share for 2010 which represents a year-on-year increase of 29%. We also intend to resume the share buy-back program in 2011 and the Board has authorized a new share buy-back program of up to $300 million of shares to be executed before our AGM at the end of May. Subsequent to this authorization, we will be taking further decisions regarding uses of cash and shareholder remuneration for the full year.

In 2010, Daniel Johannesson stepped down as Chairman of the Board after six years at the helm to become Vice-Chairman. On behalf of the Board and management team of Millicom, I would like to thank Daniel for his dedicated stewardship of the Company over this period, during which time the business has become a major force in emerging markets mobile telecoms. I am delighted that he is continuing to contribute to the oversight of the Company and that Millicom will continue to benefit from his wealth of experience in its next phase of growth.

Finally, on behalf of the Board, I would like to thank all our people throughout the organization, without whom the success we achieved in 2010 would not have been possible. I would also like to take this opportunity to thank all of our investors for their continued interest and support in Millicom.

Allen Sangines-Krause
Chairman

Chief Executive Officer’s review

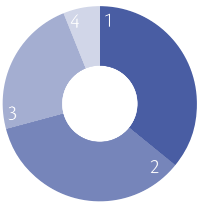
“Our people are genuinely the greatest asset that Millicom has.”
Mikael Grahne

The execution of our value creation strategy has continued to deliver good results in 2010. We have demonstrated that we can grow our business profitably in a tough operating environment by focusing on innovation and on higher value customers; we have continued to optimize our asset base and improve our network efficiency; we have pushed down debt to the operating level to improve the efficiency of financing on our balance sheet and we have continued to generate strong cash flow, enabling both the commitment of substantial resources to our platform for future growth as well as strong shareholder returns.

Over $1bn

of operating free cash flow generated in 2010

Revenue by region (US$m)



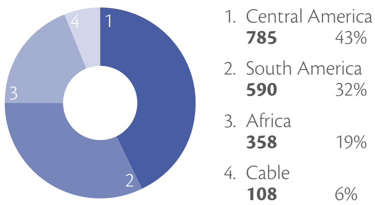
1. Central America **1,416** 36%
2. South America **1,374** 35%
3. Africa **905** 23%
4. Cable **226** 6%

The success that we achieved in 2010 would not have been possible without the dedication and enthusiasm with which our employees go about their business on a daily basis. Today our markets are competitive and changing rapidly but we believe we have the right people and culture in our business to enable us to continue to succeed. Our people are genuinely the greatest asset that Millicom has. We have chosen to pay tribute to them by showcasing them in this report.

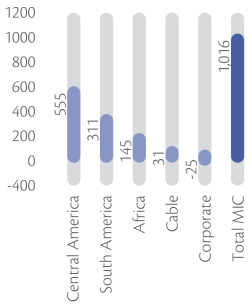
Financial performance

Group revenues were up 16% to $3,920 million (2009: $3,373 million), with underlying constant currency revenue growth of 11%. We sustained double digit local currency growth every quarter in 2010 and added 2.5 percentage points of growth over 2009 on average. Towards the end of the year, we saw an evolving distribution of growth by region with a deceleration in Africa and a return to growth in Central America in the

EBITDA by region (US$m)



OFCF for 2010 by operation (US$m)



>50%

of growth in local currency recurring revenues from VAS

fourth quarter, reflecting changes in the economic and operating environment in these regions. Mobile customer growth was 14% with 4.7 million new customers added in the year, bringing our total base to 38.6 million.

Our strong market positions, tight cost control and excellent growth in higher margin value-added services have produced strong margins. Group EBITDA was up 19% to $1,841 million (2000: $1,545 million), with the margin up 1.2 percentage points to 47.0%, exactly in line with our guidance. The main drivers of margin growth in 2010 have been Africa and Colombia. As we continue to invest further in our brands and services in 2011 in order to drive top line growth, we expect our group margin to come down to the mid 40s.

Most notably, we generated operating free cash flow of over $1 billion in 2010, equivalent to over 26% of revenues and up 50% year-on-year. All regions as well as our cable operations showed strong increases in cash flow generation, with Africa moving from a negative to a positive position year-on-year and contributing 14% of the total cash generated in 2010. Today Millicom is a much more balanced portfolio of assets with all regions making a material contribution to revenues, cash and profits.

Focus on higher value customers and stabilization of ARPU

Millicom today is in a transition phase where voice is maturing, demand for data and services is accelerating and new mobility-related services are emerging. Whereas penetration and market share growth historically accounted for the lion's share of our organic growth, in 2010 value-added services accounted for more than 50% of total growth in recurring revenues in local currency. As mobile penetration rates in our markets are increasing, we recognize the need to focus on attracting and retaining higher value customers in order to drive long term growth and to increase our revenue market share. We have therefore accelerated our commercial investment in 3G data and value-added services in order to sustain double digit top line growth in the medium term and to address rising demand for new services. In 2010, over half of all new customers added in Latin America are using 3G data services. We no longer see net customer additions as a relevant proxy for future growth as a larger portion of our offering is made up of high value products and services such as data. The best illustration of this new trend is the fact that our customer growth declined by 7 percentage points while our local currency mobile revenue growth increased by 2.5 percentage points in 2010.

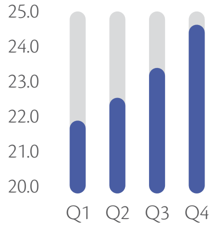
In recognition of this distinct shift in growth drivers, we divided our customer offering into four categories: Communication, defined as access to peers through voice calls and SMS; Information, or access to databases and to the Internet; Entertainment, access to content such as music and video and lastly, Solutions, or access to services.

We have had considerable success in 2010 in increasing the penetration of the key products and services in each of the four categories by successfully segmenting our customer base and offering tailored products and services to meet their needs. There remains great potential for our existing value-added services to be rolled out further in our markets and we have a suite of new products and services in the pipeline.

3G data services

used by over half of all new customers added in Latin America in 2010

VAS as % of recurring revenue 2010



39.1%

of customers in Latin America generated ARPU of >$10

The success of our focus on non-voice revenue streams is apparent in the development of ARPU. Local currency ARPU declined 5% year-on-year which is half the rate of reduction seen in 2009. In Central America ARPU erosion improved very significantly with ARPU growth in the fourth quarter of -2% year-on-year, compared with -20% a year earlier. What's more, in South America, ARPU increased year-on-year in the second, third and fourth quarters. Looking at Latin America as a whole, 39.1% of our customers generated ARPU of more than $10 at the end of the fourth quarter, up 0.8 percentage points year-on-year and 60.9% of our customers generated ARPU of less than $10, down 0.8 percentage points year-on-year. Over time, we expect a greater proportion of our customers to fall into the first category as we accelerate investment in 3G and other value-added services. In Africa, ARPU may continue to decline but we have the opportunity to drive both minutes of use through elasticity, and penetration, which, at the end of the year, was at only 42% on average.

Asset optimization and network efficiency

Our focus on innovation applies not just to our product and service offering but to every aspect of our business so that we can be more effective in executing our plans. In 2010, we made significant progress in the area of asset optimization and network efficiency, having come to the conclusion that owning passive infrastructure no longer confers a competitive advantage and that it makes sense, where possible to share tower networks with other operators with similar coverage to ours.

In 2010 we signed tower deals with Helios Towers Africa in Ghana, Tanzania and DRC through which we have committed to sell the majority of our towers to a Helios subsidiary company in each of these countries. We now have almost 2,500 or two thirds of our towers in Africa committed to be outsourced which enables us to focus our efforts on areas of real differentiation from our competitors, namely: sales, marketing, branding, distribution, service innovation and customer care.

We believe that the value created from these deals exceeds $400 million through a combination of more than $180 million of cash to be received for the sale of the towers, the 40% stake that we have in each tower company, expected future cost savings and significantly reduced capex for towers in the three countries. In 2011 we expect that these transactions will produce an additional percentage point of EBITDA in Africa, which could be reinvested in sales and marketing.

We will be looking to sign more tower deals elsewhere in the year ahead, as we continue to seek innovative ways to improve our efficiency.

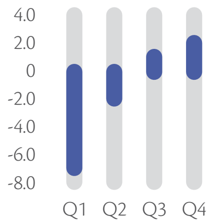
Capex in 2010 totalled $688 million or $731 million including the capitalization of tower leases. In 2011 we expect capex to exceed $800 million as we start to roll out 3G in Africa and add capacity in Latin America. We will also be investing in ERP, CRM and billing systems to ensure we have the appropriate IT infrastructure in place as the Company moves into the next phase of its development.

Balance sheet efficiency

Our funding strategy is based on four elements: to extend maturities, to lower the net cost of debt, to secure sufficient liquidity and to push down debt to the operating level for tax efficiency purposes and to mitigate country risk. We achieved all of these objectives in 2010 through our capital restructuring initiatives.

We redeemed our 2013 10% corporate bond in full on December 1, 2010, following the raising of $450 million of debt by our operation in El Salvador in September. Today our entire debt is at the operating level with an average maturity of three years and three months and over 40% of our total debt is at fixed rates, reducing our exposure to volatility in interest rates.

Change in local currency ARPU Q on Q 2010 (%)



The net debt to EBITDA ratio for the full year was 0.6 times. Our intention is to keep our leverage around 1x, although we would be prepared to raise it to 2x if the right opportunity for external growth emerged. We value in-market scale over regional scale as our leading market shares are the key to our profitability. Our focus is therefore on acquiring knowledge and skills in service areas which would enhance our assets and services in our existing markets rather than expanding our geographical footprint.

Outlook

In 2011, as in 2010, we aim to achieve the right balance between top line growth, profitability and cash flow generation.

Whilst there is still room for further growth in voice penetration in Africa, the next wave of growth in Latin America will come through value-added services. It is our intention to capture the share of our customers' wallets that is spent on other goods and services as well as on communication. Continued innovation is essential if we are to capitalize on these growth opportunities, not only in terms of our products and services but also in our organizational structure. In 2011 we will be establishing a matrix organisation with four customer focused business units – Mobile, Corporate, Home and Services – with dedicated managers in all of our markets, each supported by the managers of our four customer offering categories, so that we are well positioned to meet the growing demands of the various segments of our customer base in the medium to long term.

Our Information and Solutions categories showed the strongest growth of our four categories in 2010 and we expect that to continue in the short to medium term. More specifically, in Latin America, we believe that the most significant growth driver will be the Information category because of the huge pent-up demand for access to data and we will increase handset subsidies in order to lower the barrier to entry and to accelerate growth in this area. In Africa, because the cost to access data is still high, we believe growth in Solutions will come before growth in Information and we are therefore focusing on developing innovative financial solutions such as Tigo Cash, our in-market money transfer service as well as other savings products. In short, our aim is to continue to broaden the range of Tigo products and services in our markets and make them attainable for as many potential customers as we can. Within five years' time we expect non-voice services to be contributing 50% of recurring revenues in Latin America and 25% in Africa.

In terms of guidance, we expect the EBITDA margin to be in the mid 40s and operating free cash flow to be in the mid teens as a percentage of revenues for 2011. We expect capex in 2011 to exceed $800 million excluding new spectrum expenditure or investments in greenfield cable assets.

We believe we are well set for 2011 and look forward to its challenges with confidence.

Mikael Grahne
Chief Executive Officer

Executive team

Mikael Grahne

President and Chief Executive Officer

Mikael Grahne was appointed President and CEO of Millicom in March 2009. He joined Millicom in February 2002 as COO having previously been President of Seagram Latin America. Prior to joining Seagram, he was a Regional President for a division in the EMEA region at PepsiCo and held various senior management positions with Procter & Gamble. Mikael Grahne has an MBA from the Swedish School of Economics in Helsinki, Finland.

François-Xavier Roger

Chief Financial Officer

François-Xavier Roger joined Millicom in September 2008 from Danone where he served as Vice-President Corporate Finance since 2006 and previously as Chief Financial Officer for Danone Asia from 2000 to 2005. Prior to this he worked at Aventis and at Hoechst Marion Roussel where he managed businesses for Hoechst in Asia, Africa and Latin America. He majored in Marketing for his MBA at The Ohio State University and has a master's degree in Major Accounting from Audencia Business School in France.

Mario Zanotti

Chief Officer Latin America

Mario Zanotti was appointed Chief Officer Latin America in 2008, having joined Millicom in 1992 as a General Manager of Telecel in Paraguay. In 1998 he became Managing Director of Tele2 Italy and in 2000 he was appointed CEO of YXK Systems. In 2002 he was appointed Head of Central America for Millicom. Before joining Millicom he worked as an electrical engineer at the Itaipu Hydroelectric Power Plant and later as Chief Engineer of the biggest electrical contractor company in Paraguay. He has a degree in Electrical Engineering from the Pontificia Universidade Catolica in Porto Alegre, Brazil and an MBA from INCAE and the Universidad Catolica de Asunción, Paraguay.

Regis Romero

Chief Officer Africa

Regis Romero was appointed Chief Officer Africa in 2008. He has been with Millicom since 1998, initially as Commercial Manager in Bolivia, then as Chief Operating Officer in Paraguay and then as Co-Head of Africa since 2006. Prior to joining Millicom, he worked as an investment consultant for Interamerican Development Bank in Paraguay. Regis Romero has a bachelor's degree in Business Administration from National University, California, United States of America. He also holds a master's degree in Business Management from EDAN in Asunción, Paraguay.

We operate mobile networks in three countries in Central America: Guatemala, Honduras and El Salvador. We are number one in all three markets.

Central America financial highlights

US$m unless otherwise stated	2010	2009	% change
Revenues	1,416	1,315	8
ARPU ($)*	11.7	12.0	-3
EBITDA	785	731	7
EBITDA margin (%)	55.4	55.6	-0.2pp
Capex	144	111	30
OFCF	555	477	16
OFCF margin (%)	39.2	36.3	2.9pp
Customers (m)	13.5	12.9	5

* ARPU calculated using full consolidation of Honduras for all years.

Tigo people make the difference...

"People are the driving force in this company."

Marcelo Benitez
Mobile Business Unit Manager
San Salvador, El Salvador

"I started my career at Tigo as a Customer Care Representative back in 1997. Since then, I've held different positions in several different countries.

"The most decisive moment in my career is, without a doubt, the simultaneous implementation of both the Tigo brand and the first GSM network in Paraguay. I was the project manager for this, responsible for both technical and non-technical aspects. It was a milestone for the company because both these events were a first. I'm sure everyone involved will remember it for the rest of their lives. I certainly will.

"For me, passion is the value that transcends everything. I'm not exaggerating when I say that I love this company: the company, the people and especially the creation of new possibilities; making a success from scratch. It's as though you're watching your children grow up.

"People are the driving force in this company. I love the discovery and encouragement of talent. In the same way that someone once spotted me, I'm always on the lookout for people with talent, dedication and the right attitude; fearless people who dare to do things that other companies daren't dream of; enterprising individuals who act as if anything is possible."

Tigo people make the difference...

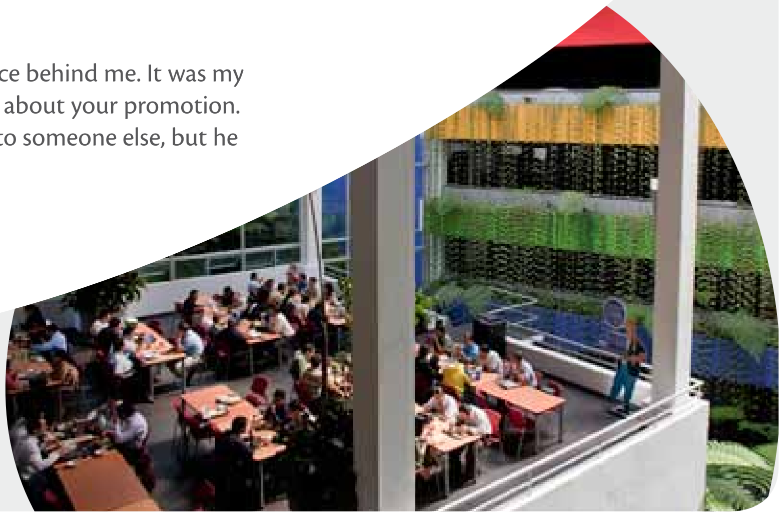
"For three weeks out of four, I'm out and about in my region."

José Mauricio Anleu Alonzo
Direct Sales Manager West Region
Guatemala City, Guatemala

"I'm the Direct Sales Manager for the West region. In practice, this means that I'm here in the office for a week each month. That's the week when the commissions are calculated and verified, but also the week when I can make adjustments to our sales techniques, based on my experiences in the field. The other three weeks, I'm out and about in my region. I've been doing this for a year now and there is still a lot to learn.

"I've experienced countless beautiful and decisive moments with this company, but the most decisive perhaps was in 2004. I was working in Flores on the introduction of e-PIN, our electronic top-up service. This was an important launch that was to be concluded with a celebration at the end of the week. I had prepared everything as well as I could but, even so, I began to get stressed when I heard that, not only my boss, but his boss too were going to attend. Afterwards, I thought that everything had gone according to plan. My boss thought so too.

"A week later, I was filling my tank when I heard a voice behind me. It was my General Manager. He said: 'You'll get a call next week about your promotion. Good work.' I looked around to see if he was talking to someone else, but he really meant me. That was very special."



Revenue (US$m)

2010	1,416
2009	1,315
2008	1,377
2007	1,149
2006	796

13%

growth in local currency VAS revenues in Central America

ARPU (US$)*

2010	11.7
2009	12.0
2008	15.8
2007	19.3
2006	23.6

EBITDA (US$m)

2010	785
2009	731
2008	759
2007	608
2006	415

* ARPU calculated using full consolidation of Honduras for all years.

Financials

Revenues for Central America were up 7.7% to $1,416 million and EBITDA increased by 7.4% to $785 million, giving an EBITDA margin of 55.5% for the year. Customer numbers were up 5% year-on-year to 13.5 million. Guatemala delivered the strongest performance of the three markets. Our operations in Honduras and El Salvador were impacted by the introduction of taxes on incoming international calls and a reduction in interconnect rates in El Salvador had an additional impact. Revenue growth for the region as a whole improved quarter-on-quarter in 2010 however, and reverted to positive in Q4.

Encouragingly, we saw a significant deceleration in the rate of local currency ARPU decline over the year due to our focus on higher value customers and their growing appetite for 3G and other non-voice services.

Capex, at $144 million, was up 30% year-on-year and stood at 10% of revenues as we added additional 3G capacity to our networks. Opex was also higher year-on-year as, in the second half of the year, we increased our marketing and promotional activities directed towards higher value customers who generate higher ARPU through 3G data and VAS usage. We have also increased the level of subsidy for 3G handsets in order to accelerate the penetration of 3G as we see a significant opportunity in data.

Cash generation continued to be very good, with OFCF at $555 million or 39% of revenues.

In July 2010, we reached an agreement with our local partner in Honduras whereby we have been granted an unconditional call option over his 33% stake in Celtel, our subsidiary in Honduras, for the next five years. We have granted our local partner a put option on his stake for the same period in the event of a change of control of Millicom. As a result of this agreement, we are able to consolidate Celtel fully into the Millicom Group financial statements from the beginning of Q3 2010 onwards.

Market and regulation

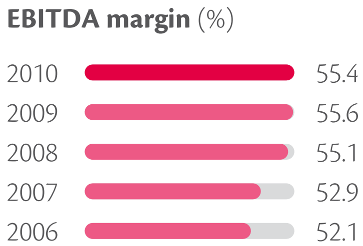
In 2010, our customers in Central America have shown a greater sensitivity to price, a greater appetite for discounted and personalized services and less inclination to make impulse purchases. Nevertheless, spending on communication remains high on the list of our customers' priorities and we have seen some single digit improvements in the trend of cash remittances from expatriate workers in the US into our markets in 2010, particularly towards the end of the year.

Regulatory intervention increased in our markets in 2010 with further rises in taxes and changes to interconnect regimes that affected revenues and profitability. In Honduras in the second half of the year, VAT was raised for postpaid customers with bills exceeding $40 a month and for customers with high internet service speeds. A new tax payable on SMS messages to providers of promotional content, sweepstakes and lotteries was also introduced.

We grew our market share across the region by 0.8 percentage points despite the highly competitive operating environment.

Tigo in Top 10

best known brands in Central America



Innovation

During the year, we increased our commitment to customer segmentation, through deeper analysis of customer data and the development of packages to suit specific customer groups.

In all markets, we introduced several new core voice services based on the affordability principle, including a balance query promotion, a frequent number offer, giving customers the opportunity to make free calls of limited duration to their chosen number, as well as other various off peak promotions.

The development of 3G data services was a major focus in 2010. We have increased handset subsidies in order to lower the barrier to entry for data services. In all markets we developed packaged services to suit our customers' needs and pockets, such as those offering combinations of email, voice and access to social networks, which are particularly appealing to the youth market. We are also contributing to the 'democratization' of broadband access to the internet by offering a variety of access options, enabling customers to plan their data usage by the hour, day, week or month.

Innovation can also help maximize the potential of existing services, such as Ring Back Tones (RBT) in the entertainment category. Several new initiatives which have made the service easier to use, combined with promotional activity, have helped to drive the penetration of RBT across the region.

In the solutions category, the most successful product launch was Tigo Lends You. This service, together with peer to peer balance transfer services such as Give me Balance and Gift and Collect represents 2% of revenues.

Overall, VAS revenues in Central America were up 13% year-on-year in local currency, and represented 26% of recurring mobile revenues over the period.

Brand and distribution

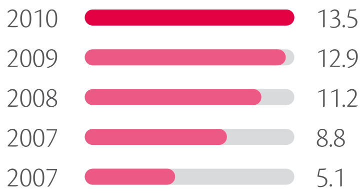
Our approach to branding is becoming increasingly sophisticated in Central America and we have benefited considerably from associations with popular activities that attract our target customers. Football and music events were the key areas for our promotional presence. Our trade marketing activities, such as hosting local fairs, also differentiate us from our competitors and support our objective of being close to our customers.

In June 2010 Tigo was ranked in the top ten best known brands in Central America according to a survey conducted by the magazine "Mercados y Tendencias" (Markets and Trends). Seven hundred marketing managers in Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and Dominican Republic were questioned about 'top of mind' brands and Tigo was ranked at number seven, despite being present in only three of the seven markets included in the survey.

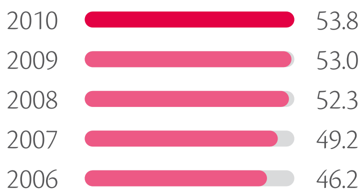
Distribution was a major focus with our Distribution Management System (DMS) being implemented or enhanced across the three markets. Through daily surveys, DMS provides the means to monitor product availability, brand visibility and route compliance by dealers as well as the overall development of the market.

Use of DMS has helped to set a standard in the deployment of brand material at the point of sale. It has also improved the efficiency of our sales forces. In addition, DMS has enabled us to improve our Telephone and Equipment portfolio and availability in specialist points of sale by involving our dealers in the forecasting process. The accuracy of forecasts has also improved as a result.

Customers (m)



Market share (%)



DMS enables other market information to be gathered which is essential to the implementation of other Tigo services.

Operations

2010 was a year that saw Tigo adding further 3G coverage and significant capacity to improve quality and efficiency in the network. Our focus was on enhancing the 3G data user experience and sustaining higher data speeds at peak times.

We achieved greater efficiency in 3G capex through regional negotiations which helped reduce infrastructure prices. We also implemented strict controls to optimize civil works expenditure on a per site basis, which produced significant cost savings. Further optimization of civil works expenditure was achieved through site sharing and from synergies created by sharing construction of the transmission networks with Amnet and Navega, our cable operations.

We have connected more of our towers to the commercial electricity grid and also installed alternative energy sources, producing significant savings on fuel consumption and reducing CO_2 emissions. These initiatives help to ensure that we remain the lowest cost operator while offering excellent quality of service to customers and generating strong margins.

People

Our investment in people remained a priority in 2010. During the year, we focused on identifying and developing internal candidates to lead and operate in the four new customer-focused business areas of mobile, corporate, home and solutions that are being implemented in each market.

Throughout the region, we provided extensive training on both ‘hard’ technical skills and ‘soft’ skills such as communication, leadership and teamwork. A recent initiative called ‘Tigo Life’ aims to provide all employees with experiences in which they can be customer facing, either through direct sales or through branch or contact center experience, ensuring that each employee not only understands the concept of being a customer-centric organization but can contribute to a greater understanding of our customers’ interests and needs.

An employee survey conducted in 2010 showed outstanding results relative to benchmarks for the region and the telecoms and FMCG sectors, with employees citing clear direction and goals as the top drivers of their engagement.

For several years, we have been working to recruit excellent talent in the region and today our employees come from various nationalities bringing a wide range of world-class experiences and skills essential to the future development of our businesses in these maturing markets.

South America

We operate mobile networks in three countries in South America. We are number one in Paraguay, number two in Bolivia and number three in Colombia.

South America financial highlights

US$m unless otherwise stated	2010	2009	% change
Revenues	1,374	1,076	28
ARPU ($)	12.1	11.0	10
EBITDA	590	439	34
EBITDA margin (%)	42.9	40.8	2.1pp
Capex	244	163	50
OFCF	311	263	18
OFCF margin (%)	22.6	24.4	-1.8pp
Customers (m)	10.1	8.8	15

Tigo people make the difference...

“We’ve only just begun the development of financial services for the mobile telephone.”

Rafael Cabral
Financial Services Manager
Asunción, Paraguay

“I started out as an Accountant Supervisor in 2000. Now I’m the Financial Services Manager. It’s a very exciting job because we’ve only just begun the development of financial services for the mobile telephone.

“You need to understand that in Paraguay only about 20% of the population has a bank account. Today we’re offering people this service by telephone, wherever they live, and creating enormous possibilities for them. For Tigo, first of all it means brand loyalty. Switching providers is simple, but if your telephone becomes your wallet, you won’t switch so fast. In addition, it will also generate extra revenues for the company.

“Starting this new job was the most memorable moment in my career. It was a transfer from accountancy to commerce. This was a unique opportunity and I grabbed it with both hands.”

Overview
Review of operations
Corporate Governance
Financial information

Tigo people make the difference...

"At Tigo, you feel that you are part of something much bigger."

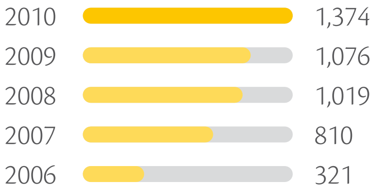
Cristian Adrian Sparacino
Innovation Manager
Bogotá, Colombia

"My first job was as a Senior Engineer which I started in November 2006. It was a very technical job. Now I'm an Innovation Manager, a role with far more of a mix of technology and commerce. It's fascinating. The product has to fulfil the needs of the consumer and, at the same time, be technically feasible. I find the combination really exciting.

"The turning point in my career came when I realized that teamwork truly works. That the whole works better than the sum of its individual parts. For me, as an engineer, that was a real breakthrough.

"At Tigo, you feel that you are a part of something much bigger; an extended family. I was recently catching up with some friends from college who work for other companies and they don't have that feeling at all. In a team like this, anything is possible. If I want to jump over that wall, I can do it, with the help of my colleagues."

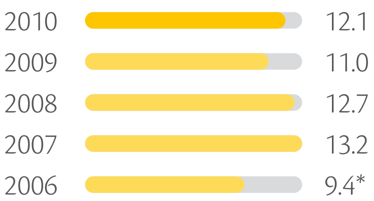
Revenue (US$m)



10%

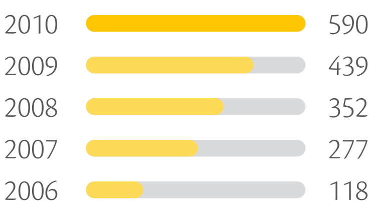
growth in ARPU

ARPU (US$)



*Colombia acquisition

EBITDA (US$m)



Financials

Total revenues for the region were up 28% to $1,374 million and EBITDA was up 35% to $590 million, giving an EBITDA margin of 42.9%, up 2.1 percentage points year-on-year. Customer numbers were up 15% year-on-year to 10.1 million with strong net additions reported in all three markets despite high penetration rates. At the end of the year we had over 966,000 users of 3G data services in South America, representing almost 10% of our regional customer base and 4% of revenues.

The development of ARPU in South America has been extremely strong with a 10% increase year-on-year, demonstrating the success of our customer segmentation efforts and confirming the appropriateness of our support of 3G and other VAS. Overall, VAS revenues in South America were up 47% in local currency year-on-year in local currency and represented 27% of recurring mobile revenues. In Paraguay, our star market for non-voice services, VAS revenues contributed close to 40% of recurring mobile revenues.

Capex amounted to $244 million or 18% of revenues as we invested in additional 3G coverage and capacity. Operating free cash flow improved significantly year-on-year, reaching $311 million or 23% of revenues.

Market and regulation

Our three South American markets showed strong economic momentum in 2010. Strong GDP growth was driven by high yields and favourable prices for soya beans and meat in Paraguay and by higher commodity prices in Bolivia and Colombia.

No new taxes were introduced in our markets during the year. In Paraguay, a new government decree in force since mid November has established a flat rate for mobile communication services whereby all operators' tariffs for on-net calls must be the same as cross-net tariffs including interconnect charges. In Bolivia, we completed the registration of all our customers' handsets and phone numbers in accordance with the government's requirement.

Our markets remained highly competitive in 2010. In Paraguay, Copaco, the PTT acquired the fourth mobile operator branded 'Vox' in July and re-launched the brand by giving away SIM cards and heavily subsidizing handsets. In Bolivia, Nuevatel launched a 3G operation offering mobile internet and, in Colombia, Uff entered as an MVNO over the Tigo network, offering one tariff for national and international calls. Despite the entry of these new operators and aggressive price promotions by other existing operators, Tigo added 1.8 percentage points of market share in the region and saw lower churn thanks to our smart pricing policy and our range of products designed to improve customer loyalty.

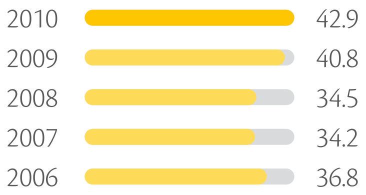
Innovation

Innovation has been a very strong driver of growth in the region over the last 12 months. Our focus has been on creating innovative packages of core products to meet our customers' needs as well as on rolling out new services in each of our four categories, with various marketing and pricing initiatives being effectively used to drive adoption.

In the Communication category, the effective use of a variety of 'Paquetigos', or bundles of minutes and SMS developed for specific customer segments, contributed to the solid performance of our base business.

Overview
Review of operations
Corporate Governance
Financial information

EBITDA margin (%)



47%

growth in local currency VAS revenues in South America

Our primary focus in 2010 was on the Information category and specifically on creating affordability in 3G data by subsidizing smartphones and offering attractive data and voice plans on both a prepaid and postpaid basis. In Paraguay, we conducted a strong above-the-line campaign directed towards social network users, coupled with attractive handset subsidies which resulted in an increase of Tigo's market share in the data segment of the business. As in Central America, different packages of 'Mail' and 'Social' plans have been aggressively marketed and are driving 3G data usage amongst our core 'young and cool' urban customer base.

We have also created plans for corporate customers that allow us to sell laptop bundled offers with third party financing for the hardware which means that our free cash flow is protected.

In the Entertainment category, Ring Back Tones (RBT) are the most important product and during the year we worked on enhancing sales and billing methods. We have also rolled out RBT Push to Copy, which enables customers to copy a backtone they hear when calling another user with the simple push of a button and this has fuelled the growth in penetration of the service.

Megapromotions are also a feature of our entertainment offering. In Bolivia, we developed a new approach to 'subscribe and win' promotions with the emphasis on rewarding customers for their use of subscription services through a points system. As a result, the proportion of our customer base subscribing to at least one service a month increased by 10 percentage points over the year.

The Tigo Lends You service, in the Solutions category, was enhanced in 2010 through the introduction of different mechanisms which allow us to vary the value of the airtime loaned according to our customers' reload patterns.

'Giros Tigo', our Tigo Cash service, was launched in Paraguay in the second quarter and was marketed through educational TV campaigns, which for the first time were recorded in the indigenous language of Guarani, and through activities at points of sale.

Brand and distribution

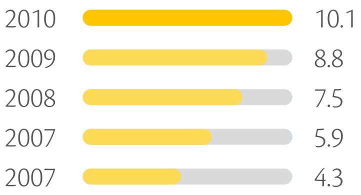
On the distribution front, we upgraded our existing Distribution Management System (DMS) platforms in each market with the implementation of web based tools providing increased levels of automation. This in turn has produced cost savings based on the results of our monitoring processes.

The implementation of DMS has allowed us to standardize the criteria for brand visibility at the point of sale. We have produced 'visibility books' which are used as training tools for supervisors and sales representatives on best practise regarding the installation of materials so as to maximise their effectiveness.

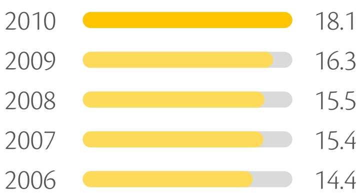
With our focus on 3G data adoption, we have also strengthened and segmented our direct sales forces across the region.

Overview
Review of operations
Corporate Governance
Financial information

Customers (m)



Market share (%)



Operations

We continued to expand the coverage and capacity of our GSM and 3G networks in South America in 2010 with the emphasis on improving the 3G user experience in urban areas. We have been able to achieve better efficiency of capex due to region-wide negotiations with suppliers. In Bolivia, we invested in our own transmission backbone and were therefore able to disconnect all leased transmission channels. We have also connected more of our base stations in Bolivia and Paraguay to fiber networks. These initiatives provided considerable cost savings, better quality and capacity availability and improved our gross margin. We also have agreements in place to share sites with our competitors in each market which produces savings on civil works.

As part of our efforts to create a genuinely customer-centric organisation, in June 2010 a Quality of Experience (QoE) Task Force was created so that technical knowledge can be shared between Tigo operations across the region, with the aim of enhancing the quality of the customer's experience of the 3G network. A network QoE index monitors 3G performance indicators that our customers care most about on a monthly basis and we have made substantial improvements during the year.

We have obtained 10-year licenses to operate cable TV in four cities in Paraguay and we are awaiting similar approval for Asunción. This development will enable us to offer multiple play services in 2011.

People

In 2010 we implemented the customer focused organization structure which brought with it new roles and responsibilities and provided our employees with the opportunity to develop new skills and competencies.

This organizational change was facilitated by extensive training at all levels covering 'hard' technical skills as well as 'soft' human skills. We provide on-the-job training and professional development on a continuous basis through the Tigo Talent School.

We have also focused on developing managerial skills with leadership and change management training given to all senior managers.

We continue to improve our recruitment process and we have implemented an assessment tool to measure aptitude for every post, so that we can ensure we place the right people in the right roles in order to drive our businesses in these markets.

Africa

In Africa, we are present in Chad, the Democratic Republic of Congo ("DRC")*, Ghana, Mauritius, Rwanda, Senegal and Tanzania. We are number two in five of these markets and in 2010 we took the number one position in Chad and in the DRC.

* In DRC we are present in the Kinshasa / Bas Congo region only.

Africa financial highlights

US$m unless otherwise stated	2010	2009	% change
Revenues	905	782	16
ARPU ($)	5.6	6.4	-13
EBITDA	358	285	26
EBITDA margin (%)	39.6	36.4	3.2pp
Capex	278	398	-30
OFCF	145	-64	–
OFCF margin (%)	16.0	-8.2	24.2pp
Customers (m)	15.0	12.2	23

Tigo people make the difference...

"The network had to be built from the ground up. Literally."

Ben Tagoe
Chief Technical Officer
Accra, Ghana, Africa

"I started out as a Network Engineer in July 1996. Since then, I have had a new position every three or four years, including CTO in a couple of markets and then for all the English-speaking countries in the region. Now I'm CTO for the whole of Africa.

"My career experienced a real boost at the beginning of 1999. I was nominated for the so-called fast track. It's a special training and education program for employees whom Tigo envisages to be part of the senior management in a couple of years' time. Immediately after that I was stationed in Sierra Leone, before Millicom disposed of that operation. That was towards the end of the war there. What an exceptional challenge! The network had to be built from the ground up, literally. I was not just accountable for the technical side, but also for the project management. It was a unique opportunity but my family was not happy about it because of the war. I had to convince my wife and I succeeded.

"The Tigo core values that I identify with the most are integrity and passion. I always say: 'You only have to tell the truth once', and I have great passion inside me that drives me to excel."

Tigo people make the difference...

"Tigo's strength lies in the fact that we know our customers."

Ange Ntiranyibagirwa
Financial Controller
Kigali, Rwanda

"I've been working for Tigo since November 27, 2009. I knew that Tigo was coming to this country and I really wanted to work for them. I was really excited about this. I was impressed by the company. I started out in my current position: Financial Controller.

"The best moment came in April 2010 when we were congratulated by the team in Luxembourg for the timeliness and quality of our financial reporting. The entire team was absolutely astonished to discover that we had been highly ranked in our very first year and this is something that we want to maintain.

"Tigo's strength lies in the fact that we know our customers. This means that we can develop products and services that suit them and that they are waiting for. This is how we managed to get to the number two position in Rwanda within just six months, with a market share of 15%."

Financials

Revenues were up 16% to $905 million, or up 21% on a constant currency basis. ARPU, at $5.6, is lower than for the rest of the Group, reflecting the lower GDP per capita of these markets as well as increased pricing pressure in the latter part of the year. VAS revenues increased by 41% year-on-year and accounted for 10% of the region's recurring revenues. Customer numbers were up 23% year-on-year to 15.0 million with the strongest net additions recorded in Chad and DRC. Overall we experienced increased volatility in customer additions on a quarterly basis due to mandatory customer registration in some markets. With average voice penetration in our markets in Africa still under 45%, we believe there are attractive long term growth opportunities.

The EBITDA margin in Africa improved 3.2 percentage points year-on-year to 39.6%. The strong increase reflects our growing scale in each market and the operating leverage we are achieving as a result. It is likely that we will favour revenue growth over margin improvements in 2011.

Capex, at $278 million, was down 43% year-on-year and stood at 31% of revenues. We still continue to invest heavily in Africa, given the potential for further penetration growth. We turned cash flow positive in Africa in 2010 and generated $144.8 million at the OFCF level or 16% of revenues.

Revenue (US$m)

2010	905
2009	782
2008	711
2007	470
2006	306

ARPU (US$)

2010	5.6
2009	6.4
2008	8.5
2007	9.3
2006	10.2

Market and regulation

Our African markets demonstrated varying levels of economic recovery in 2010 with some markets being affected by a slowdown in donor support and aid. We have also been affected by some currency devaluations and the weakness in Euro linked currencies. In these economic environments, we have continued to see the introduction of new taxes including frequency and numbering taxes in DRC, a new tax on incoming international calls in Ghana and increases in excise duty in Senegal and Rwanda.

10%

of recurring revenues in Africa accounted for by VAS

Increasing price pressure in the second half of the year prompted tariff adjustments by Tigo in Chad, DRC, Ghana and Tanzania, through headline price reductions or promotional activity, particularly for cross-net calls. To date we have seen limited elasticity as a result. In Rwanda, we instigated a significant price reduction to lower the barrier to entry and to drive market share growth. We ended the year as the number two in the market, a little over a year after launching operations. In DRC, the regulator imposed a new minimum tariff for on-net calls of $0.13 per minute in December which will impact the number of net customer additions in 2011.

EBITDA (US$m)

2010	358
2009	285
2008	238
2007	155
2006	125

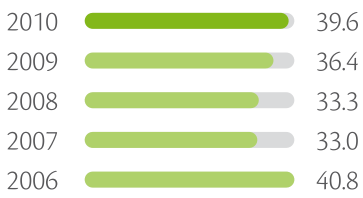
Net customer additions in 2010 were also affected by the requirement for customer registration in DRC, Ghana and Tanzania. We eased the administrative process by registering customers through our direct sales forces and managed to boost registration levels through various campaigns.

In Senegal, we remain in dispute with the government over the validity of our GSM license. The litigation continues at the International Center for the Settlement of Investment Disputes (ICSID) and a hearing on the merits of the case has been scheduled to begin in November 2011.

$144.8m

generated at OFCF level, 16% of revenues

EBITDA margin (%)



Innovation

Voice services in the communication category remain the main driver of growth in Africa. We have continued to stimulate growth in voice through attractively packaged offers and various promotions to maintain the affordability of our services which have led to an increase in the number of calls per day and have driven on-net revenue growth. The introduction of Voice SMS is helping to increase the penetration of this entry VAS product in areas of lower literacy.

A SIM back-up tool devised by Tigo in Africa and used by our direct sales forces in 2010 has helped customers to copy their contact information quickly and simply. The device addresses the need of multi SIM card users to transfer personal contact details to new SIM cards, making it easy for them to switch to Tigo.

We are seeing increasing demand for data and internet access in Africa and in 2010 we introduced some internet subscription packages in a number of urban areas. In Mauritius, where we have a very strong postpaid information business, we launched a prepaid service and a new Wi-Fi offering. In Ghana we introduced 'Tigo SmartBrowse', the most affordable data package product on the market offering 5MB for GH¢0.30.

In the Entertainment category, Ring Back Tones (RBT) are by far the most important product in Africa. By introducing the RBT Star Copy service, which allows customers to copy a tone that they hear when making a call at the push of a button and by charging on a daily rather than a monthly basis for the service, we have been able to stimulate a dramatic increase in the penetration of the service in our markets. We are also being highly innovative in our use of SMS to mimic internet services; in DRC, SMS Games were the main growth engine of the Entertainment category in 2010.

Balance transfers, either peer to peer or through our 'Tigo Lends You' service are the main feature of the Solutions category and were heavily promoted in Africa in 2010. 'Tigo Lends You' is helping to build a relationship of reciprocal trust between Tigo and the customer that strengthens our brand equity and has a positive impact on both churn and revenues. This relationship of trust is crucial when it comes to our more sophisticated services in the Solutions category and in particular Tigo Cash which was launched in Tanzania, where it is branded Tigo Pesa, and Ghana in the third quarter. As our customers trust us to transfer and deliver money on their behalf, it is vital to ensure that there is sufficient liquidity as well as security in the system and that there are enough distribution points equipped to participate. The steady growth in the number of active users in Tanzania and Ghana demonstrates the huge pent-up demand for this and other financial services.

Brand and distribution

In 2010 we continued to improve the visibility of the Tigo brand through wall painting, traditional advertising methods and below-the-line activities. Music and sporting events provided the focus for much of our promotional activity. We are also using transport as a means to enhance visibility. In DRC, we provide a free bus service for the main routes of Kinshasa on which a Tigo agent explains our products to passengers and, in Rwanda, we have branded buses serving as moving billboards around the country.

Our Distribution Management System (DMS), which although is at quite different stages of implementation, is now being deployed in all our markets, with the exception of our island market of Mauritius, and is producing greater accountability in product accessibility, activations and airtime sales.

Boosting penetration of e-PIN, our electronic top-up service, was a key focus in 2010, again facilitated by DMS which can now send SMS alerts when e-PIN stocks of airtime are running low in points of sale, to Tigo sales representatives who request them.

Overview
Review of operations
Corporate Governance
Financial information

Customers (m)

2010	15.0
2009	12.2
2008	9.0
2007	5.6
2007	3.4

Market share (%)

2010	31.1
2009	30.7
2008	28.0
2007	22.4
2006	22.3

This alert system allows Tigo to push airtime to sales outlets when they have sufficient working capital to buy it and before they re-stock other fast moving consumer goods. It also reduces the need for Tigo sales representatives to carry physical stock of airtime. The growth in e-PIN penetration in 2010 has helped to reduce the use of materials and the cost associated with scratchcard production.

Operations

Whilst we did invest in expanding our network coverage in Ghana, Chad and Rwanda in 2010, the majority of our investments in Africa during the year were focused on increasing our network capacity and improving the quality of service in existing areas. There is scope for further coverage growth in our African markets, but urban centers currently represent the significant majority of the addressable population and we believe that the right approach to reaching more rural areas is increasingly to share network infrastructure with other operators.

We formed three tower companies with Helios in Ghana, Tanzania and DRC in 2010 in which we have a 40% equity stake. These deals will result in opex reductions and future capex savings. We are entering into long term leasing agreements at the closing of each deal which will provide us with access to wireless communications towers and build-to-suit agreements to support each tower company's wireless network expansions. In each case, the tower company will seek similar agreements with other operators in the market. We are also sharing towers directly with our competitors where possible in a number of markets.

In Ghana and Tanzania we are engaging our competitors in fiber backbone sharing which will boost capacity and improve the reliability of our transmission network as well as reducing cost. We have also benefited from global supply chain negotiations with vendors which brought some significant savings in the procurement of 3G network equipment.

Africa is also leading the way in alternative power solutions. Fuel is a major cost because so much of our network is off-grid, and even where there is electrical power, supply can be intermittent. We are increasingly introducing LPG, deep cycle batteries and solar power as sustainable and cheaper power sources for our network.

People

We are dedicated to the long term development of our people in Africa and in 2010 a number of initiatives were taken to enhance existing talent. We have put in place exchange programs and cross-border secondments between all our operations in Africa, as well as with our regional head office in Dubai and the Group head office in Luxembourg, in order to share experiences and best practices. We have implemented a Tigo Leadership Essentials training course in order to equip local management with the tools to perform more effectively and we continue to develop our employees at all levels through personalized training schemes according to their individual requirements. We have also engaged all our employees in market days so that they can interact with customers and share in the sales experience.

Where possible, we have promoted internally, and we rotate jobs to give people the widest possible view of our operations and the best possible career development opportunities. We have also worked hard to attract new talent to our businesses by participating in recruitment fairs and we have set up a number of Graduate Trainee schemes and student internship programs.

Cable

Our cable business comprises Amnet and Navega.

Amnet provides pay TV, fixed line telephony, residential broadband internet and corporate services in five countries in Central America. Navega, our fiber optic backbone business, provides transmission services to Millicom Group businesses and third parties in the same geographical area.

In September 2010, we entered into agreements with our local partners to align the ownership of our cable operations with that of our mobile operations, so as to improve their integration and to facilitate synergies. We will combine reporting of the cable business with the Central American operations from 2011.

Cable financial highlights

US$m unless otherwise stated	2010	2009	% change
Revenues	226	200	13
EBITDA	108	91	19
EBITDA margin (%)	47.8	45.5	2.3pp
Capex	64	65	-2
OFCF	31	3	933
OFCF margin (%)	13.7	1.5	12.2pp
Revenue Generating Units (RGUs)(Amnet) ('000)	670	631	6

tigo

Tigo people make the difference...

“Because we all go that extra mile, we maintain a lead over the competition.”

Juan Antonio Coreas
Corporate Business Unit Manager
San Salvador, El Salvador

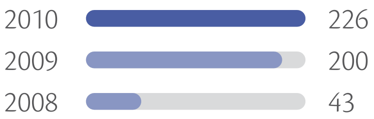
“In 2004, I was the Newcom general manager. The company was taken over by Amnet in 2006 and taken over again in 2008 by Millicom. Now, in 2010, I’m experiencing an exciting time in my career. The business unit that I manage, Tigo Corporate, is new.

“Following the integration of Amnet with the Tigo mobile business in El Salvador, we are focusing on providing all the products and services that Tigo offers in this country: mobile telephony, landlines, Internet and cable television, to businesses and organizations in public and private sectors. We are also providing local and international data services and other value-added services.

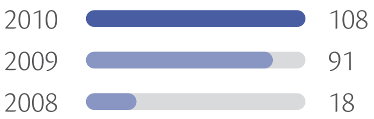
“This market is really different. It’s a market where building and expanding sound relationships are more important than a fast deal. We call the people who take care of the current customers ‘farmers’, and the people who develop new business ‘hunters’.

“Tigo’s strengths lie in its employees. This is down to the fact that they feel less like employees and more like owners. This is why we all go that extra mile. And because we all go that extra mile, we maintain a lead over the competition.”

Revenue (US$m)



EBITDA (US$m)



EBITDA margin (%)

RGUs (Amnet) ('000)

We believe that residential broadband offers us a significant growth opportunity in Central America, and, over time, in our other regions too. The latent demand for internet access is very substantial, and customers are increasingly demanding access at home as well as on the move. Owning Amnet allows us to combine fixed line, broadband, TV and mobile services under a single brand and to create innovatively packaged bundles offering good value for the customer.

Today Amnet has a large network in Central America passing approximately 1.3 million homes and providing services to 500,000 households, giving a penetration of 38% of homes passed. Customers take on average 1.34 services each from Amnet. Revenue Generating Units (RGUs) totalled 670,000 at the end of December 2010, up 6% year-on-year, comprising cable and broadband customers in El Salvador, Honduras and Costa Rica and corporate data customers in Guatemala, Nicaragua, El Salvador and Honduras. Residential broadband customer growth continued to be strong, up 21.5% year-on-year and these customers now account for 26% of the total base of RGUs.

Our combined cable operations generated $226 million of revenues in 2010, up 13% year-on-year, despite the tough economic environment in Central America. Revenues for Amnet were $197 million, up 10%. We achieved consistent growth in Amnet throughout the year, driven mainly by our roll-out of broadband services to cable TV customers with residential broadband revenues up 34% year-on-year. We managed to increase the average revenue per RGU by 5% during 2010.

EBITDA was $108 million, giving an EBITDA margin for our combined cable business of 47.8%. EBITDA for Amnet was $74 million and the margin was 37.8%. Cash generation improved significantly during 2010 and at the end of the year OFCF for the combined operations was $31.4 million or 14% of revenues.

Tigo people make the difference...

"When we set an objective, we do everything that is possible to achieve that goal."

Carolina Bernal
Business Decision Support Manager
Millicom Headquarters, Luxembourg

"Really, I've worked for this company my entire life. When I first started out for what was known as Telecel, I was still at school. My teacher asked if I wanted to help with some filing. I've never regretted it. After Paraguay, where I come from, I worked in Peru, Bolivia, Singapore and now I'm in Luxembourg.

"I really like it here. I'm responsible for reporting to the CFO. I provide information on which decisions are based. It's fascinating work, because I'm right at the heart of the company. I know what's going on in different countries, but I also see the big picture.

"Our strength lies in our people. When we set an objective, we do everything that is possible to achieve that goal. I really identify with this approach. I've been here for 17 years now. I started at a very young age and I would love to work for this company for my entire career."

Corporate Governance

Board of Directors

Allen Sangines-Krause (born 1959)

Non-Executive Chairman
Member of the Nominations Committee

Allen Sangines-Krause was elected to the Board of Millicom in May 2008, and elected Chairman of the Board in May 2010. He worked for Goldman Sachs between 1993 and 2007, working in a variety of senior positions from COO for Latin America based in Mexico City and New York and most recently as Managing Director out of London. Prior to joining Goldman Sachs, Mr Sangines-Krause was with Casa de Bolsa Inverlat, in Mexico, and before that he was a Founding Partner of Fidem, S.C., a Mexican investment bank, which was acquired by Casa de Bolsa Inverlat in 1991. Mr Sangines-Krause currently sits on the Board of Investment AB Kinnevik and is Chairman of Rasaland, a real estate investment fund. He is a member of the Council of the Graduate School of Arts and Sciences of Harvard University.

Hans Holger Albrecht (born 1963)

Non-Executive Director
Member of Nominations Committee

Hans-Holger Albrecht was elected to the Board of Millicom in May 2010. He is President and CEO of Modern Times Group MTG AB, a position he has held since 2000. During this period, MTG's broadcasting operations have expanded strongly from its core Nordic and Baltic regions to become one of the leading commercial broadcasters in Europe. Before joining MTG in 1997, Mr Albrecht worked for Daimler-Benz and for the Luxembourg-based media group CLT, where he was responsible for all television activities and for business development in Germany and Eastern Europe. Mr Albrecht is co-Chairman of CTC Media Inc, the largest commercial television broadcaster in Russia, in which MTG has a 38.9% stake, and a member of the Board of the International Emmy Association in New York.

Mia Brunell Livfors (born 1965)

Non-Executive Director
Chairman of the CSR Committee and Member of the Compensation Committee

Mia Brunell Livfors was elected a Board member at the AGM 2007. From August 2006, Ms Brunell Livfors has been Chief Executive Officer of Investment AB Kinnevik ("Kinnevik"), a Swedish public company managing a portfolio of long term investments in a number of public companies such as Millicom. Ms Brunell Livfors joined Kinnevik owned company Modern Times Group MTG AB in 1992, and was appointed CFO in 2001. As CFO, she played a central role in MTG's development. Currently, she is the Chairman of the Board of Metro International S.A. and a member of the Board of Tele2 AB, Transcom WorldWide S.A., Modern Times Group MTG AB and H & M Hennes & Mauritz AB. Between 2006 and 2008 Mia was a member of the Board of CTC Media, Inc. – a Russian associated company of MTG.

Donna Cordner (born 1956)

Non-Executive Director
Member of the Audit and CSR Committees

Donna Cordner was elected to the Board of Millicom in May 2004. She was formerly a Managing Director and Global Head of Telecommunications and Media Structured Finance group at Citigroup. She has also held senior management positions at Société Générale and ABN Amro Bank N.V. in the U.S. and Europe, including as Director of ABN's Latin American Telecommunications Project Finance and Advisory Group. Ms Cordner was the CEO of HOFKAM Limited, the largest rural microfinance company in Uganda until July 2005 and she continues to advise HOFKAM as a consultant. From March 2007 until July 2009 she held senior positions at Tele2 AB including Executive Vice President of Corporate Finance and Treasury as well as CEO for Tele2 Russia.

Paul Donovan (born 1958)

Non-Executive Director
Member of the Audit and Compensation Committees

Paul Donovan was elected to the Board of Millicom in May 2009. Mr Donovan has significant telecom management and senior leadership experience from several markets in the world, including Asia Pacific and Africa. As of July 1, 2009, Mr Donovan is Group CEO of Eircom and prior to this he was Chief Executive, EMAPA Region for the Vodafone Group until 2008. Mr Donovan's background includes a decade in the fast moving consumer goods industry, before he moved into the technology sector, principally with BT and Vodafone. His career with Vodafone began in 1999 and, since 2004, he has overseen Vodafone's operations in subsidiaries in Eastern Europe, Middle East and Asia Pacific. Africa, the US, India and China were added to his remit in 2006. He is presently on the boards of Eircom Group Limited, Eircom Ltd and Valentia Telecommunications.

Omari Issa (born 1947)

Non-Executive Director
Member of the Audit Committee

Omari Issa was elected to the Millicom Board in May 2010. He is the CEO of Investment Climate Facility for Africa. He is a Tanzanian citizen who is responsible for managing the ICF's seven-year program to improve Africa's investment climate and remove barriers to growth. Mr. Issa has extensive business experience in the public and private sectors, having worked in both Africa and abroad. He has first hand experience of the realities of doing business in Africa, having previously worked as Executive Director and Chief Operating Officer of Celtel International, where he played an instrumental role in managing the company's growth and expansion across the continent. Prior to working at Celtel, Mr Issa spent 14 years with the IFC and six years with the World Bank.

Daniel Johannesson (born 1943)

Non-Executive Vice-Chairman
Chairman of the Compensation and Nominations Committees

Daniel Johannesson was elected to the Board of Millicom in May 2003. He was Chairman of the Board from 2004 to May 2010. He has held a number of executive positions at major Swedish and Norwegian companies including Chief Executive Officer of Telenor Bedrift and Executive Vice President at the construction company Skanska, where he was responsible for their telecommunications and facilities management interests. He was also Chief Executive Officer of Investment AB Kinnevik and Director General of the Swedish national railway operator, SJ.

Michel Massart (born 1951)

Non-Executive Director
Chairman of the Audit Committee and Member of the Nominations Committee

Michel Massart was appointed to the Board of Millicom in May 2003. Until June 2002, he was a partner of PricewaterhouseCoopers in Belgium, where he set up the corporate finance department in 1997. He was a former member of the Board of the Institute of Statutory Auditors. He is currently a professor at Solvay Business School in Brussels, Belgium.

Board of Directors

The Board has developed and continuously evaluates its work procedures in line with the corporate governance rules of NASDAQ in the United States of America regarding reporting, disclosure and other requirements applicable to NASDAQ listed companies. The Board received confirmation in early 2006 from the Stockholm Stock Exchange that it is exempt from the Swedish Code of Corporate Governance so long as it adheres to NASDAQ corporate governance rules. The Board's work procedures also take into account the requirements of the U.S. Sarbanes Oxley Act of 2002 to the extent it applies to foreign private issuers.

The Board has adopted work procedures to establish a division of work between the Board and the President and Chief Executive Officer. The Chairman conducts discussions with each member of the Board regarding the work procedures of the Board and performs an annual evaluation of the Board's work. The members of the Board annually evaluate each other and the performance of the Chief Executive Officer.

In 2010, the Board had five meetings in person and four by telephone.

The work of the Board is divided between the Board and its principal committees:

- the Audit Committee,
- the Compensation Committee,
- the Corporate Social Responsibility ("CSR") Committee, and
- the Nominations Committee.

The main tasks of the Board committees are to work on behalf of the Board within their respective areas of responsibility. The Board also creates "ad hoc" committees or working groups from time to time to work on specific projects when the need arises. Any "ad hoc" committee or working group reports back to the full Board.

Audit Committee. Millicom's directors have established an Audit Committee that convenes at least four times a year, comprising four directors, Mr. Massart (Chairman and financial expert), Mr. Donovan and, from May 25, 2010 Mr. Issa and Ms. Cordner. On May 25, 2010, Mr. Kent Atkinson resigned from the Audit Committee. This committee has responsibility for planning and reviewing the financial reporting process together with the preparation of the annual and quarterly financial reports and accounts and the involvement of external auditors in that process. The Audit Committee focuses particularly on compliance with legal requirements (including compliance with Sarbanes Oxley Act) and accounting standards, independence of external auditors, audit fees, the internal audit function, the fraud risk assessment, the risk management and ensuring that an effective system of internal financial controls exists. The ultimate responsibility for reviewing and approving Millicom's annual report and accounts remains with the Board. The Audit Committee met 11 times during 2010 and Millicom's external auditors participated in each such meeting.

Compensation Committee. Millicom's Compensation Committee is chaired by Mr. Johannesson. Ms. Brunell became a member of the Committee after the Annual Meeting of Shareholders on May 29, 2007 and Mr. Donovan became a member after the Annual Meeting of Shareholders on May 2009. Ms. Brunell is a non-independent director and Mr. Donovan is an independent director. In this respect, Millicom has opted to follow home country (Luxembourg) corporate practice rather than NASDAQ Marketplace Rule 4350(c)(3). Allen & Overy, Millicom's Luxembourg legal counsel, have sent a letter to this effect to NASDAQ on February 12, 2007.

The Compensation Committee reviews and makes recommendations to the Board regarding the compensation of the Chief Executive Officer, reviews the compensation of the other senior executives and oversees management succession planning. Millicom's share options program terminated in May 2006 and was replaced by grants of restricted shares to management under Long Term Incentive Plans. The grants of restricted shares to management under these plans are determined by the Committee and approved by the Board.

CSR Committee. Millicom's directors have established a Corporate Social Responsibility (CSR) Committee that convenes at least two times a year, comprising two directors, Ms. Brunell (Chairman) and Ms. Cordner. This committee has responsibility for overseeing and making recommendations to the Board regarding the management of CSR.

Nominations Committee. Millicom's Nominations Committee is chaired by Mr. Johannesson. The two other members are Mr. Albrecht, who replaced Mr. Massart on May 25, 2010, and Mr. Sangines-Krause. The Nominations Committee's main task is to recommend directors for election to the Board by the shareholders at the AGM. At the AGM, shareholders may vote for or against the directors proposed for election or may elect different directors. The Nominations Committee also reviews and recommends the fees and the grants of shares to directors, which are presented to the Board and voted on by the shareholders at the AGM.

Corporate Policy Manual. The Board has adopted the Millicom Corporate Policy Manual, which is Millicom's central reference for all matters relating to its corporate governance policy and other policies in the areas of ethics, accounting, human resources, etc. Regional policies that are more stringent or detailed than those set out in the Millicom Corporate Policy Manual are adopted as necessary. The Code of Ethics is a part of the Millicom Corporate Policy Manual. The Company's directors, senior executives and Group employees receive the Code of Ethics upon joining Millicom and must acknowledge that they have read, understood and will comply with the Code of Ethics.

Directors' Service Agreements. None of Millicom's directors have entered into service agreements with Millicom or any of its subsidiaries providing for benefits upon termination of their respective directorships.

Corporate Social Responsibility

"Personal commitment from our people is the theme which underlines every aspect of our CSR program."
Ricardo Maiztegui

As a global telecommunications group with operations in 13 countries in Latin America and Africa, Millicom is in a powerful position to be a force for good. We believe that telecommunication is a powerful tool for economic development, playing a great role in addressing the digital divide. Our global CSR program 'Tigo Together' delivers high impact, measurable benefits to the people in the countries in which we operate.

Vision

The Tigo Together vision is to improve the quality of life of local communities by contributing our efforts and resources to the development of sustainable initiatives across the three key global themes of wellbeing, education and environment. Our long-term objective is to become the most responsible telecommunications company across our local operating areas in Africa and Latin America.

At group level we have a set of KPIs which will inform our performance through group-wide initiatives across the three themes. At country level, we encourage each operating company to interpret our three themes in a way that is tailored to the needs of local communities. Personal commitment from our people is the theme which underlines every aspect of our CSR program. Our people make it all happen.

Our objective is for CSR to become ingrained into how we operate day-to-day.

Governance

The responsibility for setting a global framework to guide all activity related to our CSR program sits at Group level. The objective of this framework is to set the parameters of our CSR program and to ensure our resources are distributed in a way that maximizes the beneficial impact we can have across our three areas of focus.

Millicom's CSR strategy is overseen and guided by the CSR Committee, which comprises Board members Mia Brunell Livfors and Donna Cordner, with Mikael Grahne, President and CEO, and Ricardo Maiztegui, CCO Latin America, in attendance. The Committee meets several times a year to approve CSR projects and budgets across the Group.

Ricardo Maiztegui has operational responsibility for CSR and reports to the CEO and the CSR Committee in this regard. He is required to ensure the Group complies with statutory and regulatory CSR requirements, while at the same time monitoring and identifying emerging opportunities and threats in relation to sustainability and reputation management. Where possible and appropriate, this leads to new operational policies and procedures becoming embedded within the business in areas such as procurement.

Within each of our 13 markets, there are individuals responsible for local CSR, whose role is usually combined with a communications, PR or regulatory responsibility. Each market sets its own budget for local projects, which are designed to meet the most pressing needs of local communities or be relevant to the business of mobile communications. They submit regular reports to Ricardo Maiztegui, who gives advice on suitable projects and stimulates the sharing of best practice across the Group.

We have a Code of Ethics which is applicable to all employees at both global and local level, and our Supplier Code of Conduct ensures that our suppliers also share Millicom's commitment to responsible business practices.

Our objective is for CSR to become ingrained into how we operate day-to-day. We have established position papers on five key areas which are essential to guiding this process:

Child labor

Child labor exists in almost every country where Millicom operates. We are therefore mindful of the risk of child labor in our supply chain and distribution network. We are committed to protecting children against any type of work that would jeopardize their health and safety, or cause damage to their moral standards and prevent them from attending school.

Energy and climate change

Millicom operates in emerging markets where energy supply is often scarce and irregular. We recognize our own responsibility to reduce energy consumption in all sectors of our activity.

E-waste

We comply with regulations on a local level, to recycle wherever the appropriate infrastructures are in place, or to ensure proper disposal of all electronic waste (e-waste) we produce, such as handsets and batteries. This includes e-waste collected by our subcontractors.

Blood donation in Bolivia

Provision of goods in Tenkoto, Senegal

Responsible use

The experience of phone usage has brought up new issues for society, highlighting the greater need for a responsible use of mobile phones. Millicom wants to sell mobile telephony services in a way that preserves social harmony, road safety and child protection.

RF fields

Mobile phones improve communications all over the world and significantly contribute to sustainable economic development by providing access to services and jobs in remote areas. However, concerns have been raised over health risks related to the radio frequency (RF) fields emitted by mobile phones and base stations. This is an issue we take very seriously. While research and debate continues in the scientific community Millicom will act to mitigate exposure of the public and employees to base station and handset radiation.

The full position papers can be found at www.tigotogether.com.

Activity

As a guideline to our activities, we base our framework on the United Nations Global Compact, and its 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. We also work to help achieve the Millennium Development Goals.

Our global framework provides an outline for each operating company to deliver on a local level. It is flexible, allowing each company to interpret the three global themes in a way that meets the individual needs of each market.

The examples below are intended to provide a flavor of the many local projects that we have initiated or continued during 2010.

Wellbeing

In a number of our markets we are involved in activities to raise awareness of serious diseases. In Tanzania, for example, Tigo sponsors the Ngorongoro Malaria Marathon. In Bolivia, Tigo supported a campaign to create greater awareness about the necessity of blood donation with many employees giving donations themselves and, in Guatemala, Tigo, along with three other companies, ran a four month fundraising campaign in 2010 for the Ayuvi society which supports children with cancer. In Honduras, Tigo provided medical equipment to hospitals.

In many markets we are working with or alongside local authorities to help improve the wellbeing of the community. In DRC, Tigo donated cleaning tools and materials to city authorities for the clearing and unblocking of sewers and drains. Tigo has also helped to provide clean water supplies in rural communities in Ghana and in Chad.

In Senegal, the goldmining village of Tenkoto in the South East of the country was destroyed by fire early in the year. Tigo responded to the humanitarian need of the villagers by providing essential goods and foodstuffs.

In Paraguay, Tigo is supporting the provision of housing for families in extreme poverty, with 130 employees participating in the construction of new houses as volunteers.

Corporate Social Responsibility cont.

UN Millennium Schools Program, Guatemala

The wellbeing of children is a particular priority for Tigo and in several markets we are involved in projects to improve the infrastructure of schools in order to enhance the learning environment. In Ghana, we have installed new roofs, electrical works and urinals in schools in Nima, a rural suburb of Accra, with Tigo employees taking part in the building works.

In the DRC, Tigo provided combined benches and desks, school bags and stationery to schools and children and helped to build toilet facilities. In Tanzania, Tigo supported the development of infrastructure for Ifinga and Pemba districts' primary schools.

In Guatemala, Tigo has entered into an extensive partnership with the United Nations on a project that supports the UN's Millennium Schools program. Under the partnership, Tigo has committed to supporting the regeneration of over 40 schools in the extremely deprived area of Totonicapan. This involves the upgrading of classrooms, bathrooms and kitchens to create clean, spacious rooms and a positive learning environment. A key aspect of this initiative is the focus on Healthy Schools. The purpose of this is to give pupils the knowledge and skills necessary to encourage them to take care of their health, their family and community; to create and maintain a positive study and work environment and promote living together in a healthy way. The scale of this partnership between the UN and a private company in Guatemala is unique.

Education

In Senegal, Tigo is sponsoring the National French Dictation competition organized by the Paul-Guérin Lajoie Foundation. The competition involves around 100,000 students drawn from 1,432 schools, enabling them to gain a better command of French writing. In Rwanda, Tigo is co-sponsor of a National Essay and Poetry competition.

In a number of our Latin American markets we are focused on equipping youngsters from deprived areas with the necessary skills for the workplace. In El Salvador in 2010, Tigo provided free internet access to schools and equipped data centers and the Tigo Innovation and Training Center provided 400 youths with training in various skills, qualifying them to receive a Ministry of Education Certificate and widening their employment opportunities. In Paraguay, Tigo provided support for 800 youths and young adults with scarce resources attending Dequeni Foundation's training centers. Tigo's support for the project was by means of a direct contribution of funds collected through a 'Tigo Solidarity Hour', when all mobile airtime reloads are donated, public awareness is raised through promotions and a large number of employees participate as volunteers. In El Salvador, Tigo donated funds collected through a 'Tigo Solidarity Hour' to local education projects.

In several markets, our executives are committed to mentoring local schoolchildren and university students to help prepare them for work.

We believe it is particularly important to raise awareness of issues which relate directly to our own industry and we have an additional responsibility to educate our customers. In El Salvador for example, we are working to promote the correct and responsible use of our mobile, internet and cable TV services and 50 students have helped to create a manual containing educational content for our customers.

Tigo Forest Campaign, Bolivia

Environment

Awareness of the threats and consequences of deforestation in our markets is growing thanks to a number of environmental projects involving local communities. In Paraguay, the Tigo Green Day, which engages customers, employees and the wider community in tree planting, has become widely recognized and acknowledged by our customers and the public. With customer and employee participation, we have contributed around 300,000 trees to the "Todo a Pulmón" campaign. The aim of this campaign is to contribute to the reforestation of the Eastern area of Paraguay.

In Bolivia, The Tigo Forest campaign is focused on mitigating the effects of climate change, through the colonisation of a 1600 hectare protected municipal area in the Antofagasta region, around 60km from the municipality of San Carlos. In this project, Tigo and its partner, the '+ arboles' Foundation of Spain, are planting an arboretum of 7,000 native species of trees and adopting more than 1,000 standing trees which will be administered by the local community.

In Rwanda, Tigo management and staff, with the help of volunteers from student clubs and the Environmental Awareness NGO, took part in a tree planting exercise in Akagera National Park, planting 60,000 seedlings to help restore the desired level of savannah vegetation in the Park. In Tanzania, to commemorate the Environment Conference in Arusha, Tigo volunteers planted 1,700 seedlings in an ongoing initiative to help prevent erosion and create a greener environment and Tigo donated 10,000 palm tree seedlings to the government which were distributed to schools, offices and public parks for planting in Dar es Salaam.

Tigo is also a major supporter of a tree planting scheme in Chad. In 2010 we supplied gas stoves to communities to help in the Government's campaign to reduce the use of wood for domestic fires.

As markets develop, electronic waste will increasingly become a problem, as people change and upgrade their mobile phones. In Colombia and Guatemala, we have put in place a phone recycling initiative, whereby customers can deposit their old phones in our stores for us to recycle. Global regulation on the disposal of electronic waste is increasingly stringent, and this service gives our customers an easy and convenient way to get rid of their old phones.

Also, as part of our increasing environmental focus, we are participants in the Carbon Disclosure Project ("CDP"), which will help us measure, report and set targets to decrease our carbon emissions.

Evaluation

Through our global framework we are setting a series of KPIs across our three key areas of focus. We assess our performance across these areas to ensure we are maximizing the positive impact and effectiveness of the activities which are carried out by our operating companies at local level. This allows us to track how our global themes are being interpreted to meet the needs of our local markets and to what extent we are engaging employees and supporting our brand.

Millicom will be producing its first full Corporate Social Responsibility report after Q1 2011 closing. The report, which will be available at www.tigotogether.com, will set out our KPIs, how we performed in 2010 and our longer term targets.

Directors' report

Principal Activities and Background

Millicom is a global telecommunications group with mobile telephony operations in 13 emerging markets with number 1 or 2 market positions in 12 of these. We also operate various combinations of fixed telephony, cable and broadband businesses in five countries in Central America.

As at December 31, 2010, Millicom had mobile operations in 14 countries 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; and in Chad, the Democratic Republic of Congo, Ghana, Mauritius, Rwanda, Senegal and Tanzania in Africa. We also have a business in Laos in Asia, the sale of which was subject to completion as at December 31, 2010. Our operation in Sierra Leone was sold on November 25, 2009 and our operations in Sri Lanka and Cambodia were sold respectively on October 16 and November 26, 2009.

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

Our shares are traded under the symbol MICC on the NASDAQ Global Select Market, a segment of the NASDAQ Global Market with the highest initial listing standards of any exchange in the world, and our SDRs are traded 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.

Results for 2010

The Group continued to experience good growth in 2010 despite more challenging market conditions, with the worldwide total mobile customer base increasing by 14% to 38.6 million compared to 33.9 million (excluding divested operations) in 2009. Our revenues from continuing operations for the year were up 16% to $3,920 million. Revenues in Central America increased by 8% for the year ended December 31, 2010 to $1,416 million. Revenues in South America increased by 28% to $1,374 million. In Africa, revenues increased by 16% to $905 million. Revenues for our cable business were $226 million, up 13%.

Total operating profit for the year ended December 31, 2010 increased by 22% to $1,042 million from $851 million for the year ended December 31, 2009. Profit from continuing operations increased to $1,870 million in 2010 from $692 million in 2009, an increase of 170%. The net profit attributable to equity holders of the company for 2010 was $1,652 million versus $851 million in 2009.

The Group generated operating free cash flow of $1,016 million in 2010, equivalent to 26% of revenues, compared to $678 million in 2009. Cash and cash equivalents decreased to $1,023 million compared to $1,511 million for 2009. As at December 31, 2010, the Group had total equity of $3.2 billion compared to $2.3 billion as at December 31, 2009.

The Group's consistent performance throughout 2010 demonstrates the strength of our business model and our ability to react quickly to changing market conditions. We have combined strong revenue growth with improving margins, rigorous capital discipline and excellent cash generation.

Operational/Strategic Developments in 2010

In January 2010, Millicom's operation in Ghana signed a sale and lease-back agreement with Helios Towers Ghana, a direct subsidiary of Helios Towers Africa, for most of its sites.

During September, 2010, with our partners in Central America, we aligned the shareholding of our mobile and cable operations so as to improve their integration and to facilitate synergies.

On November 30, 2010, we redeemed early the corporate 2013 10% Notes resulting in our entire debt being at operating level, improving tax efficiency and mitigating country risk.

In December 2010, Millicom's operations in Tanzania and the Democratic Republic of Congo signed sale and lease-back agreements with subsidiaries of Helios Towers Africa, for most of their sites.

During the year we demonstrated our commitment both to enhancing the returns from holding Millicom shares, and to improving the efficiency of our capital structure by returning $300 million to shareholders through the repurchase of more than 3.2 million shares and paying $654 million in dividends.

Outlook for the Group

We believe there are attractive opportunities for further growth in Africa due to relatively low mobile penetration levels and increasing demand for additional services obtainable through mobile phones. Many of our markets, mainly in Africa, have high growth potential and substantial unmet demand for basis voice telephony services. We believe we can grow our customer base and revenue while controlling costs. We see more and more opportunities with VAS, especially in more mature markets. We see a significant growth opportunity in the short to medium term in 3G/data services especially in Latin America and with mobility services, including banking, over the longer term. We will continue to invest in our existing mobile operations, where we believe we can generate attractive returns.

Management's report on internal control over financial reporting

The management of Millicom International Cellular S.A. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in conformity with International Financial Reporting Standards as adopted by the European Union as well as those issued by the International Accounting Standards Board.

Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of Millicom International Cellular S.A. internal control over financial reporting as of December 31, 2010. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control–Integrated Framework. Management concluded that based on its assessment, Millicom International Cellular S.A. internal control over financial reporting was effective as of December 31, 2010.

PricewaterhouseCoopers S.à.r.l has issued an unqualified report on our 2010 financial statements as a result of the audit and also has issued an unqualified report on our internal control over financial reporting which is attached hereto.

Mikael Grahne
Chief Executive Officer

Francois Xavier Roger
Chief Financial Officer

March 3, 2011

Report of independent registered public accounting firm

To the shareholders of Millicom International Cellular S.A.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, comprehensive income, cash flows and changes in equity present fairly, in all material respects, the financial position of Millicom International Cellular S.A. (the "Company") and its subsidiaries and joint ventures (together the "MIC Group") at 31 December 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and in conformity with International Financial Reporting Standards as adopted by the European Union. Also in our opinion, the MIC Group maintained, in all material respects, effective internal control over financial reporting as of 31 December 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control Over Financial Reporting" appearing on page F-2 of the accompanying consolidated financial statements. Our responsibility is to express opinions on these consolidated financial statements and on the MIC Group's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers S.à r.l.
Luxembourg, March 3, 2011

Réviseur d'entreprises agréé

Consolidated income statements

For the years ended December 31, 2010, 2009 and 2008

	Notes	2010 US$ '000	2009 US$ '000	2008 US$ '000
Revenues	9	3,920,249	3,372,727	3,150,559
Cost of sales		(1,331,003)	(1,202,902)	(1,114,822)
Gross profit		**2,589,246**	**2,169,825**	**2,035,737**
Sales and marketing		(737,691)	(647,009)	(657,480)
General and administrative expenses		(738,779)	(606,213)	(498,597)
Other operating expenses, net		(71,046)	(65,580)	(61,438)
Operating profit	9,10	**1,041,730**	**851,023**	**818,222**
Interest expense		(214,810)	(173,475)	(135,932)
Interest and other financial income		14,748	11,573	32,277
Revaluation of previously held interests	4	1,060,014	32,319	–
Other non operating expenses, net	12	(29,702)	(32,181)	(52,265)
(Loss) profit from associates	17	(1,817)	2,329	8,706
Profit before tax from continuing operations		**1,870,163**	**691,588**	**671,008**
Charge for taxes	13	(227,096)	(187,998)	(268,813)
Profit for the year from continuing operations		**1,643,067**	**503,590**	**402,195**
Profit for the year from discontinued operations, net of tax	6	11,857	300,342	2,246
Net profit for the year		**1,654,924**	**803,932**	**404,441**
Attributable to:				
Equity holders of the company		1,652,233	850,788	517,516
Non-controlling interest		2,691	(46,856)	(113,075)
Earnings per share for the year	14			
(expressed in US$ per common share)				
Basic earnings per share				
– from continuing operations attributable to equity holders		15.19	5.09	4.79
– from discontinued operations attributable to equity holders		0.08	2.75	0.01
– for the year attributable to equity holders		**15.27**	**7.84**	**4.80**
Diluted earnings per share				
– from continuing operations attributable to equity holders		15.16	5.08	4.76
– from discontinued operations attributable to equity holders		0.08	2.74	0.01
– for the year attributable to equity holders		**15.24**	**7.82**	**4.77**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income

For the years ended December 31, 2010, 2009 and 2008

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Net profit for the year	1,654,924	803,932	404,441
Other comprehensive income:			
Exchange differences on translating foreign operations	(5,785)	(14,529)	(54,041)
Cash flow hedges	(1,700)	–	–
Total comprehensive income for the year	**1,647,439**	**789,403**	**350,400**
Attributable to:			
Equity holders of the Company	1,649,443	837,124	456,670
Non-controlling interests	(2,004)	(47,721)	(106,270)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of financial position

As of December 31, 2010 and 2009

	Notes	2010 US$ '000	2009 US$ '000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	15	2,282,845	1,044,837
Property, plant and equipment, net	16	2,767,667	2,710,641
Investments in associates	17	18,120	872
Pledged deposits	18,26	49,963	53,333
Deferred taxation	13	23,959	19,930
Other non-current assets		17,754	7,965
TOTAL NON-CURRENT ASSETS		**5,160,308**	**3,837,578**
CURRENT ASSETS			
Inventories		62,132	46,980
Trade receivables, net	19	253,258	224,708
Amounts due from joint venture partners		99,497	52,590
Prepayments and accrued income		89,477	65,064
Current income tax assets		10,748	17,275
Supplier advances for capital expenditure		36,189	49,165
Other current assets	20	72,205	58,159
Time deposit	21	3,106	50,061
Cash and cash equivalents	22	1,023,487	1,511,162
TOTAL CURRENT ASSETS		**1,650,099**	**2,075,164**
Assets held for sale	6	184,710	78,276
TOTAL ASSETS		**6,995,117**	**5,991,018**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of financial position

As of December 31, 2010 and 2009 (continued)

	Notes	2010 US$ '000	2009 US$ '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	23	681,559	660,547
Treasury shares	23	(300,000)	–
Other reserves	25	(54,685)	(64,930)
Retained profits		1,134,354	937,398
Profit for the year attributable to equity holders		1,652,233	850,788
		3,113,461	**2,383,803**
Non-controlling interests		45,550	(73,673)
TOTAL EQUITY		**3,159,011**	**2,310,130**
LIABILITIES			
Non-current Liabilities			
10% Senior Notes	26	–	454,477
Other debt and financing	26	1,796,572	1,458,423
Derivative financial instruments	33	18,250	–
Provisions and other non-current liabilities	27	79,767	88,142
Deferred taxation	13	195,919	66,492
Total non-current liabilities		**2,090,508**	**2,067,534**
Current Liabilities			
Other debt and financing	26	555,464	433,987
Payables and accruals for capital expenditure		278,063	276,809
Other trade payables		202,707	194,691
Amounts due to joint venture partners		97,919	52,180
Accrued interest and other expenses		228,360	173,609
Current income tax liabilities		79,861	93,364
Dividend payable	28	–	134,747
Provisions and other current liabilities	27	242,457	210,385
Total current liabilities		**1,684,831**	**1,569,772**
Liabilities directly associated with assets held for sale	6	60,767	43,582
TOTAL LIABILITIES		**3,836,106**	**3,680,888**
TOTAL EQUITY AND LIABILITIES		**6,995,117**	**5,991,018**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31, 2010, 2009 and 2008

	Notes	2010 US$ '000	2009 US$ '000	2008 US$ '000
Profit before tax from continuing operations		**1,870,163**	**691,588**	**671,008**
Adjustments for non-operating items:				
Interest expense		214,810	173,475	135,932
Interest and other financial income		(14,748)	(11,573)	(32,277)
Revaluation of previously held interests		(1,060,014)	(32,319)	–
Profit from associates		1,817	(2,329)	(8,706)
Other non operating expenses, net		29,702	32,181	52,265
Adjustments for non-cash items:				
Depreciation and amortization	9,10,15,16	676,986	611,435	463,720
Loss on disposal and impairment of property, plant and equipment	9,10	16,257	7,246	9,166
Share-based compensation	24	30,718	10,175	13,619
		1,765,691	**1,479,879**	**1,304,727**
Decrease (increase) in trade receivables, prepayments and other current assets		(31,282)	73,380	5,077
Decrease (increase) in inventories		(12,606)	8,812	24,700
(Decrease) increase in trade and other payables		44,773	(4,669)	29,235
Changes to working capital		**885**	**77,523**	**59,012**
Interest expense paid		(170,604)	(148,038)	(137,301)
Interest received		14,639	11,316	32,535
Taxes paid		(238,723)	(195,851)	(201,235)
Net cash provided by operating activities		**1,371,888**	**1,224,829**	**1,057,738**
Cash flows from investing activities:				
Acquisition of subsidiaries and JV, net of cash acquired	4	(5,284)	(53,086)	(532,181)
Proceeds from disposal of subsidiaries, joint ventures and associates		5,335	–	–
Purchase of intangible assets and license renewals	15	(26,238)	(46,004)	(112,716)
Purchase of property, plant and equipment	16	(596,900)	(726,565)	(1,161,088)
Proceeds from sale of property, plant and equipment		36,617	3,708	7,434
(Purchase) disposal of pledged deposits		2,462	(45,652)	4,027
(Purchase) disposal of time deposits	21	46,953	(50,061)	–
Cash (used) provided by other investing activities		9,334	(12,275)	15,929
Net cash used by investing activities		**(527,721)**	**(929,935)**	**(1,778,595)**
Cash flows from financing activities:				
Proceeds from issuance of shares		3,276	2,856	3,179
Purchase of treasury shares		(300,000)	–	–
Proceeds from issuance of debt and other financing	26	1,147,585	627,872	1,195,550
Repayment of debt and financing	26	(1,396,997)	(506,588)	(640,414)
Payment of dividends		(788,526)	–	(259,704)
Net cash (used) provided by financing activities		**(1,334,662)**	**124,140**	**298,611**
Cash provided (used) by discontinued operations	6	–	416,755	(69,074)
Exchange gains (losses) on cash and cash equivalents		2,820	1,178	(9,082)
Net increase (decrease) in cash and cash equivalents		**(487,675)**	**836,967**	**(500,402)**
Cash and cash equivalents at the beginning of the year		1,511,162	674,195	1,174,597
Cash and cash equivalents at the end of the year		**1,023,487**	**1,511,162**	**674,195**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

For the years ended December 31, 2010, 2009 and 2008

	Attributable to equity holders							
	Number of shares '000	Share Capital[i] US$ '000	Share Premium[i] US$ '000	Retained profits[ii] US$ '000	Other reserves[iii] US$ '000	Total US$ '000	Non-controlling interests[vi] US$ '000	Total equity US$ '000
Balance as of January 1, 2008	**102,428**	**153,643**	**263,709**	**824,998**	**45,557**	**1,287,907**	**80,429**	**1,368,336**
Profit for the year	–	–	–	*517,516*	–	*517,516*	*(113,075)*	*404,441*
Currency translation differences	–	–	–	–	*(60,846)*	*(60,846)*	*6,805*	*(54,041)*
Total comprehensive income for the year	–	–	–	517,516	(60,846)	456,670	(106,270)	350,400
Transfer to legal reserve	–	–	–	(262)	262	–	–	–
Dividends paid to shareholders	–	–	–	(259,704)	–	(259,704)	–	(259,704)
Shares issued via the exercise of share options	169	252	3,894	–	(937)	3,209	–	3,209
Shares issued as payment of bonuses[iii]	11	17	1,208	–	–	1,225	–	1,225
Share-based compensation[iii]	–	–	–	–	11,666	11,666	–	11,666
Issuance of shares – 2006 LTIP[iii]	52	76	3,887	–	(3,963)	–	–	–
Issuance of shares[v]	9	14	1,025	–	–	1,039	–	1,039
Directors' shares[iii]	6	10	717	–	–	727	–	727
Conversion of the 4% Convertible Notes[iv]	5,622	8,434	205,658	–	(38,913)	175,179	–	175,179
Balance as of December 31, 2008	**108,297**	**162,446**	**480,098**	**1,082,548**	**(47,174)**	**1,677,918**	**(25,841)**	**1,652,077**
Profit for the year	–	–	–	*850,788*	–	*850,788*	*(46,856)*	*803,932*
Currency translation differences	–	–	–	–	*(13,664)*	*(13,664)*	*(865)*	*(14,529)*
Total comprehensive income for the year	–	–	–	850,788	(13,664)	837,124	(47,721)	789,403
Transfer to legal reserve	–	–	–	(880)	880	–	–	–
Dividends declared[viii]	–	–	–	(134,747)	–	(134,747)	–	(134,747)
Shares issued via the exercise of share options	139	208	3,536	–	(888)	2,856	–	2,856
Share-based compensation[iii]	–	–	–	–	9,807	9,807	–	9,807
Directors' shares[iii] [vii]	7	10	358	–	–	368	–	368
Issuance of shares – 2006, 2007 and 2009 LTIPs[iii]	205	307	13,584	–	(13,891)	–	–	–
Acquisition of non-controlling interests in Chad[ix]	–	–	–	(9,523)	–	(9,523)	(111)	(9,634)
Balance as of December 31, 2009	**108,648**	**162,971**	**497,576**	**1,788,186**	**(64,930)**	**2,383,803**	**(73,673)**	**2,310,130**

Consolidated statements of changes in equity

For the years ended December 31, 2010, 2009 and 2008

	Number of shares '000	Numbers of shares held by the Group '000	Attributable to equity holders: Share Capital(i) US$ '000	Share Premium(i) US$ '000	Treasury Shares US$ '000	Retained profits(ii) US$ '000	Other reserves(iii) US$ '000	Total US$ '000	Non-controlling interests(vi) US$ '000	Total equity US$ '000
Balance as of January 1, 2010	**108,648**	**–**	**162,971**	**497,576**	**–**	**1,788,186**	**(64,930)**	**2,383,803**	**(73,673)**	**2,310,130**
Profit for the year	–	–	–	–	–	*1,652,233*		*1,652,233*	*2,691*	*1,654,924*
Cash flow hedge	–	–	–	–	–	–	*(1,700)*	*(1,700)*	–	*(1,700)*
Currency translation differences	–	–	–	–	–	–	*(1,090)*	*(1,090)*	*(4,695)*	*(5,785)*
Total comprehensive income for the year	–	–	–	–	–	1,652,233	(2,790)	1,649,443	(2,004)	1,647,439
Transfer to legal reserve	–	–	–	–	–	(53)	53	–	–	–
Dividends paid to shareholders(viii)	–	–	–	–	–	(653,779)	–	(653,779)	–	(653,779)
Purchase of treasury shares	–	(3,254)	–	–	(300,000)	–	–	(300,000)	–	(300,000)
Shares issued via the exercise of share options	145	–	218	3,874	–	–	(816)	3,276	–	3,276
Share-based compensation(iii)	–	–			–	–	30,286	30,286	–	30,286
Directors' shares(iii) (vii)	5	–	8	424	–	–	–	432	–	432
Issuance of shares – 2007, 2008, 2009 and 2010 LTIPs(iii)	255	–	381	16,107	–	–	(16,488)	–	–	–
Change in scope of consolidation(x)	–	–	–	–	–	–	–	–	130,843	130,843
Dividend to non-controlling shareholders	–	–	–	–	–	–	–	–	(9,616)	(9,616)
Balance as of December 31, 2010	**109,053**	**(3,254)**	**163,578**	**517,981**	**(300,000)**	**2,786,587**	**(54,685)**	**3,113,461**	**45,550**	**3,159,011**

(i) See note 23.
(ii) Includes profit for the year attributable to equity holders, of which $60 million (2009: $46 million; 2008: $31 million) are undistributable to equity holders.
(iii) See note 24 and 25.
(iv) See note 25 and 26.
(v) Employees purchase of shares under the Matching share award plans (see note 24).
(vi) As at December 31, 2008, non controlling interest was negative as the non-controlling shareholders of Colombia Movil S.A. ESP have a binding obligation to cover their share of the losses of this entity.
(vii) See note 29.
(viii) See note 28.
(ix) See note 4.
(x) See note 4

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

As of December 31, 2010, 2009 and 2008

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 emerging markets. It also operates various combinations of fixed telephony, 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 at December 31, 2010, Millicom had mobile operations in 14 countries focusing on emerging markets in Central America, South America, Africa and Asia (see note 7). 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, Rwanda, Senegal and Tanzania in Africa; and in Laos in Asia which is classified as a discontinued operation and as an asset held for sale (see note 6). African Millicom's operation in Sierra Leone was sold on November 25, 2009; Millicom's operations in Sri Lanka and Cambodia were sold respectively on October 16 and November 26, 2009 (see note 5).

In 2008, Millicom acquired 100% of Amnet Telecommunications Holding Limited (see note 4), 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. In addition, in December 2008, Millicom was successful in the tender for the third national mobile license in Rwanda (see note 15). Services in Rwanda were launched in early December 2009.

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 ("Board") approved these consolidated financial statements on March 3, 2011. The approval of the consolidated financial statements will be ratified by the shareholders at the Annual General Meeting on May 25, 2011.

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 (US$ '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, 2010 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

As of December 31, 2010, 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 and for new standards and interpretations not yet endorsed but 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 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 may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

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 December 31 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.

The acquisition method of accounting is used to account for acquisitions where there is a change in control. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement (see accounting policy for Goodwill). All acquisition related costs are expensed.

Subsidiaries

Subsidiaries are all 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 currently exercisable or 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. They are de-consolidated from the date that control ceases.

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity. Non-controlling interest is measured at the proportionate interest in the net assets of the subsidiary.

Joint ventures

Millicom determines the existence of joint control by reference to 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 in the financial statements using the proportionate method which includes the Group's share of the assets, liabilities, income and expenses of the joint ventures.

The Group recognizes the portion of gains or losses on the sale of assets to joint ventures that are attributable to other parties in the joint venture. The Group does not recognize its share of profits or losses from purchase of assets by the Group from a joint venture until it resells the assets to a third party. However, if a loss on a transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, the loss is recognized 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 recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of post-acquisition profits or losses of associates is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. Cumulative post-acquisition movements are adjusted against the carrying amount of the 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 recognize 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. Unrealized 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. Dilution gains and losses arising in investments in associates are recognized in the income statement.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

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 associate 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. dollars (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 exchange rates prevailing on transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and on translation of monetary assets and liabilities denominated in currencies other than the functional currency at year-end exchange rates, are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow, or net investment hedges.

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

Translation into presentation currency

The results and financial position of all Group entities (none of which operate in an economy with a hyperinflationary functional currency) with functional currency other than the US dollar presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities are translated at the closing rate at the date of the statement of financial position;

ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) All resulting exchange differences are recognized as a separate component of equity ("Currency translation reserve"), in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of 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 recognized in the consolidated income statement as part of gain or loss on sale.

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

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

The following table presents relevant currency translation rates to the U.S. dollar as of December 31, 2010 and 2009 and average rates for the year ended December 31, 2010.

Country	Currency	2010 Average rate	2010 Year-end rate	2009 Year-end rate
Bolivia	Boliviano	7.00	6.99	7.02
Chad and Senegal	CFA Franc	496.47	489.70	457.26
Colombia	Peso	1,931.08	1,918.75	2,043.00
Costa Rica	Colon Costa Rica	510.99	512.97	565.24
Ghana	Cedi	1.47	1.49	1.43
Guatemala	Quetzal	8.00	8.02	8.35
Honduras	Lempira	18.90	18.90	18.90
Luxembourg	Euro	0.76	0.75	0.70
Mauritius	Rupee	30.53	30.45	30.01
Nicaragua	Gold Cordoba	21.84	21.88	20.84
Paraguay	Guarani	4,682.50	4,645.00	4,695.00
Rwanda	Rwandese Franc	593.34	594.00	571.24
Sweden	Krona	6.87	6.72	7.16
Tanzania	Shilling	1,472.78	1,459.50	1,339.50
UAE (Dubai)	Dirham	3.67	3.67	3.67

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. Millicom's functional currency in both El Salvador and DRC is the US$.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with internal reporting to the Chief Operating Decision-Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognized. Repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible. Estimated useful lives are:

Estimated useful lives are:	
Buildings	40 years or lease period, 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 statement of financial position 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, labor 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 recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

A liability for the present value of the cost to remove an asset on both owned and leased sites is recognized 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 measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the income statement in the year in which expenditure is incurred. Intangible assets are amortized over their estimated useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition, over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate at the date of the transaction. If the fair value of identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can only be determined provisionally, then Millicom initially accounts for goodwill using provisional values. Within twelve months of the acquisition date, Millicom then recognizes any adjustments to the 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 provisional fair values are made as if the adjusted fair values had been recognized 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 allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

Licenses

Licenses are shown at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

The terms of licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use on a straight-line basis over the license period. Licenses held, subject to certain conditions, are usually renewable and generally non-exclusive. When estimating useful lives of licenses, renewal periods are not usually included.

Trademarks and customer bases

Trademarks and customer bases are recognized as intangible assets only when acquired or gained in a business combination. Their cost represents fair value at the date of acquisition. Trademarks and customer bases have finite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the trademarks and customer bases over their estimated useful lives. The estimated useful lives for trademarks and customer bases are based on specific characteristics of the market in which they exist. Trademarks and customer bases are included in "Intangible assets, net".

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

2.7 Impairment of non-financial assets
At each reporting date the Group assesses 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, for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to sell is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset. In addition to 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 recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

At each reporting date an assessment is made as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Other than for goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified within non-current assets. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2.9 Financial instruments at fair value through profit or loss
Financial instruments at fair value through profit or loss are financial instruments held for trading. Their fair value is determined by reference to quoted market prices on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models. A financial instrument is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2.10 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). Liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

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

2.12 Trade receivables
Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are indicators of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The provision is recognized in the consolidated income statement within "Cost of sales".

2.13 Deposits
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.

Pledged deposits
Pledged deposits represent contracted cash deposits with banks that are held as security for debts at corporate or operational entity level. Millicom is unable to access these funds until either the relevant debt is repaid or alternative security is arranged with the lender.

2.14 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.

2.15 Impairment of financial assets
The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the consolidated income statement.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

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 share capital, the consideration paid including any directly attributable incremental costs is shown under "Treasury shares" and deducted from equity attributable to the Company's equity 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
Borrowings are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing.

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 amortized cost basis until extinguishment, conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognized 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 statement of financial position date.

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 capitalized 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. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortised over the lease term.

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

Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

2.19 Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, risks specific to the liability. Where discounting is used, increases in the provision due to the passage of time are recognized as interest expenses.

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

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 intra-group sales.

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

Revenues from 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 recognized 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 amortized over the estimated life of the customer relationship. Related costs are also deferred, to the extent of the revenues deferred, and amortized over the estimated life of the customer relationship. The estimated life of the customer relationship is calculated based on historical disconnection percentage for the same type of customer.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

Where customers purchase a specified amount of airtime in advance, revenue is recognized as credit is used. Unutilized airtime is carried in the statement of financial position as deferred revenue within "other current liabilities".

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

Revenues from the sale of handsets and accessories on a stand-alone basis (without multiple deliverables) are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Revenue arrangements with multiple deliverables ("Bundled Offers" such as equipment 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. Cost of sales is recorded on an accrual basis.

Cost of sales also includes depreciation and any 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 customer 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 No further payment obligations exist once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as assets to the extent that a cash refund or a reduction in future payments is available.

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 recognized in the statement of financial position respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on maturities of the related pension liability. The Group does not have any defined benefit pension plans.

Share-based compensation

Restricted share awards are granted to Directors, management and key employees.

The cost of equity-settled transactions is recognized, 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 recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested 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 recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.25 Taxation

Current tax

Current tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred income tax is provided using the liability method and calculated from temporary differences at the statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting, nor taxable, profit or loss.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

Deferred income tax assets are recognized for all deductible temporary differences and 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 utilized, except where the deferred tax assets relate to deductible temporary differences from initial recognition of an asset or liability in a transaction that is not a business combination, and, at the time of the transaction, affects neither accounting, nor taxable, profit or loss.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize the deferred income tax asset. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent it is probable that future taxable profit will enable the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate expected to apply in the year when the assets are realized or liabilities settled, based on tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Deferred tax assets and deferred tax liabilities are offset where legally enforceable set off rights exist and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.26 Discontinued operations

Revenues and expenses associated with discontinued operations are presented in a separate line in the consolidated income statement. Comparative figures in the consolidated income statement representing the discontinued operations are reclassified to the 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

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);

(b) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

(c) hedges of a net investment in a foreign operation (net investment hedge).

For transactions designated and qualifying for hedge accounting the Group documents, at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 34. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The Group does not have either fair value or net investment hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to any ineffective portion is recognized immediately in the income statement within 'other non operating (expenses) income, net'.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other non operating (expenses) income, net'.

2.28 Changes in accounting policies

The consolidated financial statements as of December 31, 2010 are prepared in accordance with consolidation and accounting policies consistent with those of the previous financial years, with the exception of the early adoption as of January 1, 2009 of IFRS 3R, 'Business combinations', and IAS 27R, 'Consolidated and separate financial statements'.

The following new standards and amendments to standards, which affect the presentation of the consolidated financial statements, which were mandatory for the first time for the financial year beginning January 1, 2010 were early adopted by the Group in 2009

- IFRS 3 (revised) ('IFRS 3R'), 'Business combinations' and consequential; amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition costs are expensed.

The Group early adopted IFRS 3R, 'Business combinations', in 2009 for the step-up acquisition of Navega.com S.A. (see note 4). Millicom revalued its previously held interests in Navega.com S.A. at fair value, recognising the resulting gain in the consolidated income statement.

- IAS 27 (revised) ('IAS 27R') requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

As the Group early adopted IFRS 3R, it was required to early adopt IAS 27R, 'Consolidated and separate financial statements', at the same time.

- IAS 38 (amendment), 'Intangible Assets' clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if the assets have similar useful economic lives.

IAS 38 (amendment) was applied by the Group from the date IFRS 3R was adopted. The amendment to IAS 38 did not have a material impact on the Group's consolidated financial statements.

The following amendments to standards and interpretations, which could affect Millicom's financial position and accounting policies, are mandatory for the first time for the financial year beginning January 1, 2010, but are not currently relevant nor have a material impact for the Group.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after July 1, 2009. The interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized 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 recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after July 1, 2009. 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 July 1, 2009, although some limited retrospective application is permitted.

- IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', effective July 1, 2009. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit and loss' category. This assessment is to be made based on the circumstances that existed on the later of the amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified at fair value through profit and loss in its entirety.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' effective July 1, 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by an entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular the group should clearly document its hedging strategy because of the possibility of different designations at different levels of the group.

- IAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 36 (amendment). 'Impairment of assets', effective January 1, 2010. The amendment clarifies that the largest cash-generating unit (or groups of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' effective from January 1, 2010. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (course of estimation uncertainty) of IAS 1.

The following standards, amendments and interpretations issued are not effective for the financial year beginning January 1, 2010 and have not been early adopted.

- IFRS 9, 'Financial Instruments', effective for annual periods beginning on or after January 1, 2013. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 removes also the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value. IFRS 9 is currently not expected to have a material impact on Millicom financial position or results.

- IAS 24 (revised) ('IFRS 24R), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24R is mandatory for periods beginning on or after January 1, 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from January 1, 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and associates. The Group is currently putting systems in place to capture the necessary information. It is therefore not possible, at this stage, to disclose the impact, if any, of the revised standard on related party disclosures.

- 'Classification of rights issues' (amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after February 1, 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This amendment is not expected to have a material impact on Millicom financial position or results.

- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' is effective from July 1, 2010. IFRIC 19 addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all, or part of the financial liability. This amendment is not expected to have a material impact on Millicom financial position or results.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary payments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning January 1, 2011. This amendment is not expected to have a material impact on Millicom financial position or results.

- IFRS 7 amendment 'Derecognition – Disclosures'. The amendment improves the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011. This amendment is not expected to have a material impact on Millicom financial position or results.

- 'Deferred Tax: Recovery of Underlying Assets' (amendment to IAS 12) issued in December 2010. The amendment applies to annual periods commencing on January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. This amendment is not expected to have a material impact on Millicom financial position or results.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 inherent uncertainties in this evaluation process, actual results may be different from originally estimated amounts. In addition, significant estimates are involved in the determination of impairments, provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and may significantly affect future operating results.

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining fair values at acquisition dates, 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 fair values of assets and liabilities, as well as of useful lives of the assets is based on management judgment.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, 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 non-controlling interests; note 6 – Discontinued operations and assets held for sale; note 13 – Taxes; note 15 – Intangible assets, note 16 – Property, plant and equipment, note 19 – Trade receivables, note 24 – Share-based compensation (relating to long-term incentive plans); note 31 – Commitments and contingencies; and note 34 – Financial instruments.

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS

Year ended December 31, 2010

In 2010, Millicom gained control over Telefonica Cellular S.A. DE CV, its mobile phone operation in Honduras, and acquired control of Navega S.A. DE CV, its cable operation in Honduras.

Telefonica Cellular S.A. DE CV

On July 1, 2010 Millicom reached agreement with its local partner in Honduras whereby Millicom's local partner granted Millicom an unconditional call option for the next five years for his 33% stake in Telefonica Cellular S.A. DE CV ("Celtel") and Millicom granted a put option for the same duration to the local partner in the event of a change of control of Millicom. As a result of this agreement Millicom has the right to control Celtel, which has been fully consolidated into the Millicom Group financial statements from July 1, 2010. Previously, the Honduras operations were proportionately consolidated.

Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2010. The recognized amounts of identified assets acquired and liabilities assumed as of July 1, 2010 were as follows:

	Fair value US$ '000	Previously held interests US$ '000
Intangible assets, net(i)	435,174	22,602
Other investments	20,653	13,769
Property, plant and equipment, net	339,082	226,055
Trade receivables	13,876	9,251
Prepayments and accrued income	6,681	4,454
Other current assets	34,485	22,990
Cash and cash equivalents	24,654	16,436
	874,605	**315,557**
Other non-current liabilities(ii)	264,590	100,492
Current debt and other financing	74,943	49,962
Trade payables	6,117	4,078
Accrued interests and other expenses	12,756	8,504
Current income tax liabilities	17,465	11,643
Other current liabilities	51,890	35,871
	427,761	**210,550**
Non-controlling interests	147,121	
Fair value of the net assets acquired and contingent liabilities	**299,723**	
Goodwill arising on change of control	854,572	
Previously held interests in Celtel	(105,007)	
Revaluation of the previously held interests in Celtel	1,049,288	
Cost of change of control	–	

(i) Intangible assets not previously recognized are trademarks for an amount of $40 million, with estimated useful life of 10 years, customers' list for an amount of $335 million, with estimated useful life of 8-9 years, and telecommunications license for an amount of $21 million, with estimated useful life of 11 years.
(ii) Deferred tax liabilities, related to the differences between the tax base and the fair value of the identifiable assets acquired amount to $114 million.

The goodwill, which is not expected to be tax deductible, is attributable to the profitability potential of Celtel and the synergies expected to arise. The fair value of the customers' list was ascertained using the discounted excess earnings method, the fair value of the trademark was ascertained using the relief from royalty approach, and the fair value of the telecommunications license against comparable transactions.

The change of control contributed revenues of $100 million and net profit of $1,049 million (including gain on revaluation) for the period from acquisition to December 31, 2010. If the change of control had occurred on January 1, 2010, unaudited pro forma Group revenues from continuing operations for the year ended December 31, 2010 would have been $4,018 million, and the unaudited pro forma net profit from continuing operations for the same period would have been $1,665 million. These amounts have been calculated using the Group accounting policies.

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS continued

Millicom revalued at fair value its previously held 66.7% interest in Celtel recognizing a gain of $1,044 million, recorded under the caption "Revaluation of previously held interests". The fair value of the previously held interests was determined based on a discounted cash flow. The cash flow projections used (adjusted operating profit margins, income tax, working capital and capital expenditure) were estimated by management covering 6 years. Cash flows beyond this period were extrapolated using a perpetual growth rate of 2%. The valuation was determined using a discount rate of 14.3%.

Navega S.A. DE CV

As part of a regional shareholding alignment agreement with its local partner in Honduras, on August 20, 2010 Millicom reached agreement with its local partner in Honduras whereby Millicom acquired a further 6% of Navega S.A. DE CV ("Navega Honduras") (formerly Metrored S.A.). As a result of this agreement Millicom has the right to control Navega Honduras, which has been fully consolidated into the Millicom Group financial statements from August 20, 2010. Previously, the results of Navega Honduras were proportionately consolidated. The agreement is expected to facilitate further integration of the cable business and to create synergies.

Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2010. The recognized amounts of identified assets acquired and liabilities assumed were as follows:

	Fair value 100% US$ '000	Previously held interests (60.72%) US$ '000
Intangible assets, net	19,563	11,879
Property, plant and equipment, net	22,875	13,890
Other non-current assets	180	109
Trade receivables	1,988	1,207
Prepayments and accrued income	40	25
Current income tax assets	0	
Other current assets	482	293
Cash and cash equivalents	3,050	1,852
	48,178	**29,255**
Other non-current liabilities	3,178	1,930
Current debt and other financing	1,152	699
Trade payables	357	217
Accrued interests and other expenses	1,135	689
Current income tax liabilities	1,035	628
Other current liabilities	2,211	1,343
	9,068	**5,506**
Non controlling interests	13,037	
Fair value of the net assets acquired and contingent liabilities	**26,073**	
Goodwill arising on change of control	13,866	
Previously held interests in Navega Honduras	(23,748)	
Revaluation of the previously held interests in Navega Honduras	10,726	
Cost of change of control	5,465	

The goodwill, which is not expected to be tax deductible, is attributable to the profitability potential of Navega Honduras and the synergies expected to arise. The fair value of the customers' list was ascertained using the discounted excess earnings method, and the fair value of the trademark was ascertained using the relief from royalty approach.

Navega Honduras contributed revenues of $1 million and net profit of $20 million (including gain on revaluation) for the period from acquisition to December 31, 2010. If the acquisition had occurred on January 1, 2010, unaudited pro forma Group revenues from continuing operations for the year ended December 31, 2010 would have been $3,924 million, and the unaudited pro forma net profit from continuing operations for the same period would have been $1,644 million. These amounts have been calculated using the Group accounting policies.

Millicom revalued at fair value its previously held 60% interest in Navega Honduras recognizing a gain of $11 million, recorded under the caption "Revaluation of previously held interests".

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS continued

Year ended December 31, 2009

In 2009, Millicom's joint venture in Guatemala acquired the remaining non-controlling interest in Navega.com S.A. and Millicom acquired the remaining non-controlling interest in its operation in Chad.

Navega.com S.A.

On March 13, 2009, Millicom's joint venture in Guatemala completed the acquisition of the remaining 55% interest in Navega.com S.A. ("Navega Guatemala"). Millicom's share of the acquisition cost of the remaining 55% interest in Navega Guatemala amounted to $49 million and Millicom's share of the cash acquired amounted to $10 million; net cash used for this acquisition therefore amounted to $39 million.

Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2009. Millicom's share of the fair value of the identifiable assets and liabilities acquired was as follows:

	Fair value US$ '000	Previously held interests US$ '000
Intangible assets, net(i)	51,442	8,988
Property, plant and equipment, net	34,205	18,995
Other non-current assets	122	87
Trade receivables	3,196	1,739
Prepayments and accrued income	13	8
Current income tax assets	16	7
Other current assets(ii)	2,400	353
Cash and cash equivalents	10,656	5,070
	102,050	**35,247**
Other non-current liabilities(iii))	3,437	—
Current debt and other financing	10,953	5,546
Trade payables	7,241	4,611
Accrued interests and other expenses	557	286
Current income tax liabilities	2,872	1,899
Other current liabilities(ii)	16,589	5,961
	41,649	**18,303**
Fair value of the net assets acquired and contingent liabilities	**60,401**	
Goodwill arising on acquisition	38,203	
Previously held interests in Navega Guatemala and Metrored	(16,944)	
Revaluation of the previously held interests in Navega Guatemala and Metrored	(32,319)	
Acquisition cost	**49,341**	

(i) Intangible assets not previously recognized are trademarks for an amount of $2 million (Millicom's share: $1 million), with estimated useful life of 8 years, and customers' list for an amount of $62 million (Millicom's share: $35 million), with estimated useful life of 9 years.

(ii) Contingent liabilities relating to tax and other contingencies at the time of the acquisition and amounting to $6 million (Millicom's share: $3 million) were booked within "Other current liabilities". The former shareholders of Navega.com and Metrored placed in escrow $3 million to partly cover these contingencies. Therefore a corresponding financial asset of $3 million (Millicom's share: $2 million) has been recorded within "Other current assets".

(iii) Deferred tax liabilities, related to the differences between the tax base and the fair value of the identifiable assets acquired amount to $6 million (Millicom's share: $3 million).

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS continued

The goodwill, which is not expected to be tax deductible, is attributable to the profitability potential of the acquired business and the synergies expected to arise from the Group's acquisition of Navega. The fair value of the customer 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 acquired business contributed revenues of $21 million and net profit of $12 million for the period from acquisition to December 31, 2009. If the acquisition had occurred on January 1, 2009, unaudited pro forma Group revenues from continuing operations for the year ended December 31, 2009 would have been $3,378 million, and the unaudited pro forma net profit from continuing operations for the same period would have been $507 million. These amounts have been calculated using the Group accounting policies.

In 2009 Millicom early adopted IFRS 3R and applied it to this acquisition (see note 2). As a result, Millicom revalued at fair value its previously held 45% interest in Navega (held by Millicom's joint venture in Guatemala) and its previously held 49% interest in Metrored S.A. ("Metrored"), a subsidiary of Navega (held by Millicom's joint venture in Honduras), recognizing a gain of $32 million, recorded under the caption "Revaluation of previously held interests".

Millicom Tchad S.A.
On March 4, 2009, Millicom completed the acquisition of the remaining 12.5% non-controlling interests in its operation in Chad. The initial consideration amounted to $8 million and was paid in cash.

In 2009 Millicom early adopted IAS 27R and applied it to this acquisition (see note 2). As a result, the purchase of the non-controlling interest in Chad was treated as an equity transaction. The difference between the acquisition cost and the carrying value of the existing non-controlling interest at the date of the transaction resulted in a decrease in Millicom shareholders' equity of $10 million.

Other minor investments
In 2009, Millicom acquired other minor investments for a cash consideration of $6 million.

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:

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS continued

	Recognized on acquisition US$ '000	Carrying value 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 income 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 income 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; customer 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 customer 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 26).

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.

5. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

Year ended December 31, 2010
As part of the regional shareholding alignment agreement with its local partner in Guatemala, on August 20, 2010, Millicom disposed of 45% of its interest in Newcom Guatemala ("Amnet Guatemala"). From that date Amnet Guatemala has been accounted for as a joint venture and proportionately consolidated into the Millicom Group financial statements. Previously, the results of the Amnet Guatemala were fully consolidated. There was no significant impact on profit and loss from the disposal.

Year ended December 31, 2009
On October 16, November 25 and November 26, 2009 respectively, Millicom completed the sale of its operations in Sri Lanka, Sierra Leone and Cambodia, for total proceeds of respectively $155 million, $1 million and $353 million realizing a total net gain of $289 million. Total transaction costs amounted to $11 million. Total cash disposed amounted to $30 million.

Year ended December 31, 2008
In 2008, Millicom did not dispose of any subsidiary or joint venture.

6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations
The results of discontinued operations for the years ended December 31, 2010, 2009 and 2008 are presented below:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Revenues	29,625	218,874	270,738
Operating expenses(i)	(17,086)	(193,038)	(243,345)
Gain from disposal, net	–	288,860	–
Operating profit	**12,539**	**314,696**	**27,393**
Non-operating income (expenses), net	271	(10,500)	(16,591)
Profit before tax	**12,810**	**304,196**	**10,802**
Tax charge	(953)	(3,854)	(8,556)
Net profit for the year	**11,857**	**300,342**	**2,246**

(i) In 2009, an impairment of $11 million (2008: $11 million) was booked to align the carrying value of Millicom's operation in Sierra Leone to its estimated fair value less cost to sell.

The cash (used) provided by discontinued operations for the years ended December 31, 2010, 2009 and 2008 is presented below:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Net cash provided by operating activities	11,105	29,906	73,956
Net cash used by investing activities	(16,089)	(62,795)	(129,366)
Net cash (used) provided by financing activities	5,597	(8,270)	(22,323)
Exchange (loss) gain on cash and cash equivalents	234	(158)	1,587
Transfer of cash to assets held for sale	(847)	(19,099)	(521)
Proceeds from the sale of discontinued operations	–	477,171	7,593
Cash provided (used) by discontinued operations	**–**	**416,755**	**(69,074)**

6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

The following table gives details of non cash investing and financing activities of discontinued operations for the years ended December 31, 2010, 2009 and 2008:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Investing activities			
Acquisition of property, plant and equipment	–	(873)	(6,563)
Financing activities			
Vendor financing and finance leases	–	873	6,563

Asia segment

In May 2009, Millicom decided to dispose of its businesses in Cambodia, Laos and Sri Lanka and, as a result, in accordance with IFRS 5, these operations were classified as discontinued operations. Millicom's operations in Sri Lanka and Cambodia were sold respectively on October 16 and November 26, 2009. As a result, as at December 31, 2009, only Laos's assets and liabilities were disclosed under the caption "Assets held for sale" and "Liabilities directly associated with assets held for sale". Millicom's businesses in Cambodia, Laos and Sri Lanka previously represented the entire operating segment "Asia".

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, in accordance with IFRS 5, this operation was 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's operation in Sierra Leone was previously disclosed within the operating segment "Africa".

Assets held for sale

Millicom Lao Co. Ltd

On September 16, 2009 Millicom announced that it signed an agreement for the sale of its 74.1% holding in Millicom Lao Co. Ltd., its Laos operation, to VimpelCom for approximately $65 million in total cash proceeds, payable on completion. Completion of the transaction was subject to certain conditions, which were not satisfied before the year-end. As a result, Millicom's operation in Laos was classified as a disposal held for sale as of December 31, 2009. As of that date, Millicom kept all assets and liabilities of its Laos operation at the carrying values as they were lower than the estimated fair value less cost to sell.

On March 31, 2010 Millicom announced that VimpelCom had not completed the agreement to acquire Millicom's operation in Laos, despite that all conditions precedent had been met. Millicom is reserving its rights under the terms of the agreement, including the right to seek compensation for any loss of value that may arise as a result of VimpelCom's decision not to complete.

As at December 31, 2010 activities are continuing under the sale process and Millicom is still of the opinion that the sale of its operation in Laos is highly probable and therefore continues to treat this operation as a discontinued operation as at December 31, 2010.

Sale of tower assets in Ghana, Tanzania and Democratic Republic of Congo ("DRC")

In January 2010, Millicom's operation in Ghana signed a sale and lease-back agreement with Helios Towers Ghana, a direct subsidiary of Helios Towers Africa, for most of its tower assets. Under the agreement, Millicom Ghana will sell those tower assets to Helios for a total consideration of $30 million cash and a 40% stake in Helios Towers Ghana, and will lease back a dedicated portion of each tower to locate its network equipment. Approximately 80% of the towers under this agreement have been sold in 2010 and the remaining towers are expected to be transferred in 2011. The carrying value of the portion of the remaining towers that will not be leased back has been classified as assets held for sale as at December 31, 2010 and amounted to $6 million.

In December 2010, Millicom's operations in Tanzania and DRC signed sale and lease-back agreements with Helios Towers Tanzania and Helios Towers DRC respectively, for most of their tower assets. The carrying value of the portion of the towers that will not be leased back and any related liabilities have been classified respectively as assets held for sale and liabilities directly associated with assets held for sale. The net amount reclassified amounted to $46 million in respect of Tanzania and $50 million in respect of DRC as at December 31, 2010.

6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

The major classes of assets and liabilities classified as held for sale as at December 31, 2010, and 2009 are as follows:

	2010 US$ '000	2009 US$ '000
Assets		
Property, plant and equipment, net	171,473	70,030
Trade receivables, net	6,044	3,490
Inventories	477	312
Other assets	4,402	2,979
Cash and cash equivalents	2,314	1,465
Assets held for sale	**184,710**	**78,276**
Liabilities		
Non-current debt and other financing	13,322	8,244
Other non-current liabilities	13,992	7,982
Current debt and other financing	5,662	5,124
Trade payables	4,278	14,317
Other current liabilities	23,513	7,915
Liabilities directly associated with assets held for sale	**60,767**	**43,582**
Net assets directly associated with the disposal group	**123,943**	**34,694**

7. SUBSIDIARIES

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

Name of the company	Country	Holding December 31, 2010 % of ownership interest	Holding December 31, 2009 % of ownership interest
Central America			
Telemovil El Salvador S.A.	El Salvador	100.0	100.0
Telefonica Celular S.A.	Honduras	66.7	–
Navega S.A. DE CV (formerly Metrored S.A.) (see notes 4 and 17).	Honduras	66.7	–
South America			
Telefonica Celular de Bolivia S.A.	Bolivia	100.0	100.0
Telefonica Celular del Paraguay S.A.	Paraguay	100.0	100.0
Colombia Movil S.A. E.S.P.	Colombia	50.0 + 1 share	50.0 + 1 share
Africa			
Millicom Ghana Company Limited	Ghana	100.0	100.0
Sentel GSM S.A.	Senegal	100.0	100.0
MIC Tanzania Limited	Tanzania	100.0	100.0
Oasis S.P.R.L.	Democratic Republic of Congo	100.0	100.0
Millicom Tchad S.A. (see note 4)	Chad	100.0	100.0
Millicom Rwanda Limited	Rwanda	87.5	87.5
Asia			
Millicom Lao Co. Limited (see note 6)	Lao People's Democratic Republic	74.1	74.1
Amnet			
Amnet Telecommunications Holding Limited (see note 4)	Bermuda	100.0	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	100.0

8. INTERESTS IN JOINT VENTURES

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

Name of the company	Country	Holding December 31, 2010 % of ownership interest	Holding December 31, 2009 % of ownership interest
Central America			
Comunicaciones Celulares S.A.	Guatemala	55.0	55.0
Navega.com S.A. (see notes 4 and 17)	Guatemala	55.0	55.0
Telefonica Celular S.A.	Honduras	–	66.7
Navega S.A. DE CV (formerly Metrored S.A) (see notes 4 and 17).	Honduras	–	66.7
Africa			
Emtel Limited	Mauritius	50.0	50.0

In 2010, Millicom gained control over Telefonica Cellular S.A. DE CV, its mobile phone operation in Honduras, and acquired an additional 6% shareholding in Navega S.A. DE CV, its cable operation in Honduras (see note 4). As a result both of these operations are now classified as subsidiaries from July 2010 (see note 7).

Millicom's joint ventures in Cambodia were sold on November 26, 2009 (see note 5).

The share of assets and liabilities of the jointly controlled entities at December 31, 2010 and 2009, which are included in the consolidated financial statements, are as follows:

	2010 US$ '000	2009 US$ '000
Current assets	199,147	177,878
Non-current assets	386,703	644,553
Total assets	**585,850**	**822,431**
Current liabilities	159,616	250,552
Non-current liabilities	145,664	166,698
Total liabilities	**305,280**	**417,250**

The share of revenues and operating expenses of the jointly controlled entities for the years ended December 31, 2010, 2009, and 2008, which are included in the consolidated income statements from continuing operations, are as follows:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Revenues	799,305	947,600	968,317
Total operating expenses	(413,461)	(503,298)	(488,632)
Operating profit	**385,844**	**444,302**	**479,685**

9. SEGMENT INFORMATION

Management has determined the operating and reportable segments based on the reports that are used to make strategic and operational decisions.

Management considers the Group from both a business and geographic perspective. The Group operates in the mobile telephony business as well as in the cable business (including broadband, television and fixed telephony). The Group's risks and rates of return for its mobile operations are affected predominantly by the fact that it operates in different geographical regions. The mobile operating businesses are organized and managed according to these selected geographical regions, which represent the basis for evaluation of past performance and for making decisions about the future allocation of resources.

The Group has mobile businesses in three regions: Central America, South America and Africa. Its Cable business, which includes Amnet and Navega, operates in Central America. Millicom's operation in Sierra Leone and the Asia region have been classified as discontinued operations (see note 6). Millicom's operations in Sri Lanka, Sierra Leone and Cambodia were sold in 2009 (see note 5).

The following tables present revenues, operating profit (loss) and other segment information for the years ended December 31, 2010, 2009 and 2008:

December 31, 2010	Central America US$ '000	South America US$ '000	Africa US$ '000	Cable US$ '000	Unallocated items US$ '000	Total continuing operations US$ '000	Discontinued operations (note 6) US$ '000	Inter-company elimination US$ '000	Total US$ '000
Revenues	**1,415,933**	**1,373,877**	**904,931**	**225,508**	**–**	**3,920,249**	**29,625**	**–**	**3,949,874**
Operating profit (loss)	**599,396**	**361,969**	**147,737**	**39,202**	**(106,574)**	**1,041,730**	**12,539**	**–**	**1,054,269**
Add back:									
Depreciation and amortization	183,839	223,186	202,733	66,305	923	676,986	–	–	676,986
Loss (gain) of disposal and impairment	1,762	4,590	7,568	2,337	–	16,257	–	–	16,257
Share-based compensation	–	–	–	–	30,718	30,718	–	–	30,718
Corporate costs	–	–	–	–	74,933	74,933	–	–	74,933
Adjusted operating profit (loss)(i)	**784,997**	**589,745**	**358,038**	**107,844**	**–**	**1,840,624**	**12,539**	**–**	**1,853,163**
Additions to:									
Property, plant and equipment	(131,876)	(216,408)	(273,689)	(55,281)	(17)	(677,271)	(16,223)	–	(693,494)
Intangible assets	(11,792)	(28,091)	(3,924)	(9,156)	(473)	(53,436)	–	–	(53,436)
Capital expenditure	**(143,668)**	**(244,499)**	**(277,613)**	**(64,437)**	**(490)**	**(730,707)**	**(16,223)**	**–**	**(746,930)**
Taxes paid	(121,498)	(62,240)	(9,291)	(17,641)	(28,053)	(238,723)			
Changes in working capital	32,334	(31,333)	(27,776)	1,690	25,970	885			
Other movements	3,018	60,061	101,603	3,960	(24,456)	144,186			
Operating free cash flow(iii)	**555,183**	**311,734**	**144,961**	**31,416**	**(27,029)**	**1,016,265**			
Total Assets(ii)	**2,780,225**	**1,503,621**	**1,600,307**	**837,577**	**650,677**	**7,372,407**	**71,878**	**(449,168)**	**6,995,117**
Total Liabilities	**1,129,406**	**1,257,708**	**1,630,201**	**420,949**	**803,332**	**5,241,596**	**47,518**	**(1,453,008)**	**3,836,106**

(i) Adjusted operating profit is used by the management to monitor the segmental performance and for the capital management (see note 33).
(ii) Segment assets include goodwill and other intangibles.
(iii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction.

Overview
Review of operations
Corporate Governance
Financial information

9. SEGMENT INFORMATION continued

December 31, 2009	Central America US$ '000	South America US$ '000	Africa US$ '000	Cable US$ '000	Unallocated items US$ '000	Total continuing operations US$ '000	Discontinued operations (note 6) US$ '000	Inter-company elimination US$ '000	Total US$ '000
Revenues	**1,314,760**	**1,075,914**	**782,150**	**199,903**	**–**	**3,372,727**	**218,874**	**–**	**3,591,601**
Operating profit (loss)	**584,341**	**227,904**	**84,582**	**31,295**	**(77,099)**	**851,023**	**314,696**	**–**	**1,165,719**
Add back:									
Depreciation and amortization	145,741	208,469	196,832	59,311	1,082	611,435	34,842	–	646,277
Loss (gain) of disposal and impairment	725	2,222	3,401	636	262	7,246	(277,665)	–	(270,419)
Share-based compensation	–	–	–	–	10,175	10,175	–	–	10,175
Corporate costs	–	–	–	–	65,580	65,580	–	–	65,580
Adjusted operating profit (loss)(i)	**730,807**	**438,595**	**284,815**	**91,242**	**–**	**1,545,459**	**71,873**	**–**	**1,617,332**
Additions to:									
Property, plant and equipment	(102,925)	(143,556)	(395,352)	(49,297)	(246)	(691,376)	(79,072)	–	(770,448)
Intangible assets	(7,813)	(19,489)	(2,892)	(15,272)	(646)	(46,112)	–	–	(46,112)
Capital expenditure	**(110,738)**	**(163,045)**	**(398,244)**	**(64,569)**	**(892)**	**(737,488)**	**(79,072)**	**–**	**(816,560)**
Taxes paid	(100,127)	(54,423)	(6,654)	(15,287)	(19,359)	(195,850)			
Changes in working capital	(43,323)	39,978	55,631	(10,084)	239	42,441			
Other movements	399	1,927	18	1,364	–	3,708			
Operating free cash flow(iii)	**477,018**	**263,032**	**(64,434)**	**2,666**	**(20,012)**	**658,270**			
Total Assets(ii)	**1,256,219**	**1,370,202**	**1,586,488**	**876,112**	**732,667**	**5,821,688**	**411,939**	**(242,609)**	**5,991,018**
Total Liabilities	**645,879**	**1,141,956**	**1,594,662**	**612,078**	**470,781**	**4,465,356**	**242,625**	**(1,027,093)**	**3,680,888**

(i) Adjusted operating profit is the measure used by the management to monitor the segmental performance and for the capital management (see note 33).
(ii) Segment assets include goodwill and other intangibles.
(iii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction.

December 31, 2008	Central America US$ '000	South America US$ '000	Africa US$ '000	Cable US$ '000	Unallocated items US$ '000	Total continuing operations US$ '000	Discontinued operations (note 6) US$ '000	Inter-company elimination US$ '000	Total US$ '000
Revenues	**1,376,848**	**1,019,332**	**711,364**	**43,015**	**–**	**3,150,559**	**270,738**	**–**	**3,421,297**
Operating profit (loss)	**642,851**	**149,848**	**95,935**	**6,537**	**(76,949)**	**818,222**	**27,393**	**–**	**845,615**
Add back:									
Depreciation and amortization	112,296	198,861	140,094	11,518	951	463,720	57,257	–	520,977
Loss (gain) of disposal and impairment	3,865	2,816	1,551	(7)	941	9,166	11,049	–	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**	**18,048**	**–**	**1,366,165**	**95,699**	**–**	**1,461,864**
Additions to:									
Property, plant and equipment	(283,255)	(351,134)	(510,836)	(11,164)	(1,298)	(1,157,687)	(163,629)	–	(1,321,316)
Intangible assets	(10,756)	(18,033)	(90,244)	(384)	(135)	(119,552)	(1,823)	–	(121,375)
Capital expenditure	**(294,011)**	**(369,167)**	**(601,080)**	**(11,548)**	**(1,433)**	**(1,277,239)**	**(165,452)**	**–**	**(1,442,691)**
Taxes paid	(115,049)	(51,468)	(22,411)	(1,767)	(10,541)	(201,236)			
Changes in working capital	25,688	42,808	47,225	(34,913)	(18,360)	62,448			
Other movements	2,324	952	5,119	476	(1,437)	7,434			
Operating free cash flow(iii)	**377,964**	**(25,350)**	**(333,567)**	**(29,704)**	**(31,771)**	**(42,428)**			
Total Assets(ii)	**1,242,421**	**1,260,230**	**1,484,841**	**738,554**	**389,669**	**5,115,715**	**409,114**	**(304,021)**	**5,220,808**
Total Liabilities	**556,799**	**1,071,739**	**1,396,189**	**174,959**	**927,215**	**4,126,901**	**369,790**	**(927,960)**	**3,568,731**

(i) Adjusted operating profit is the measure used by the management to monitor the segmental performance and for the capital management (see note 33).
(ii) Segment assets include goodwill and other intangibles.
(iii) Operating free cash flow by segment includes vendor financing of capital equipment as a cash transaction

9. SEGMENT INFORMATION continued

Revenues from continuing operations for the years ended December 31, 2010, 2009 and 2008 analyzed by country are as follows:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Colombia	612,111	444,899	448,374
Guatemala	570,827	517,555	515,531
Honduras	532,068	436,435	426,689
Paraguay	462,537	387,964	392,626
El Salvador	453,503	493,298	461,878
Other	1,289,203	1,092,576	905,461
Total	**3,920,249**	**3,372,727**	**3,150,559**

Non-current assets (intangible assets and property, plant and equipment) as at December 31, 2010 and 2009 analyzed by country are as follows:

	2010 US$ '000	2009 US$ '000
Colombia	604,723	585,184
Guatemala	348,682	308,580
Honduras	1,762,865	329,791
Paraguay	223,840	231,917
El Salvador	482,623	441,521
Other(i)	1,627,779	1,858,485
Total	**5,050,512**	**3,755,478**

(i) Includes Amnet goodwill of $340 million (December 31, 2009: $340 million), which has been allocated to the Amnet business as a whole.

10. ANALYSIS OF OPERATING PROFIT

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Revenues	3,920,249	3,372,727	3,150,559
Cost of rendering telecommunication services	(809,669)	(716,269)	(737,407)
Depreciation and amortization (notes 9, 15 and 16)	(676,986)	(611,435)	(463,720)
Dealer commissions	(354,608)	(300,487)	(286,007)
Employee related costs (note 11)	(294,045)	(249,757)	(210,545)
Sites and network maintenance	(175,971)	(151,816)	(123,176)
Advertising and promotion	(119,675)	(122,986)	(132,351)
Phone subsidies	(124,448)	(108,714)	(143,634)
External services	(110,344)	(81,537)	(74,080)
Operating lease expense (note 31)	(82,929)	(72,749)	(59,486)
Billing and payments	(27,831)	(21,005)	(16,853)
Loss on disposal and impairment of assets, net (note 9 and 16)	(16,257)	(7,246)	(9,166)
Other expenses	(85,756)	(77,703)	(75,912)
Operating profit	**1,041,730**	**851,023**	**818,222**

10. ANALYSIS OF OPERATING PROFIT continued

The following table summarizes the aggregate amounts paid to Millicom's auditors for the years ended December 31, 2010, 2009 and 2008.

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Audit Fees	4,237	4,179	4,276
Audit Related Fees	604	115	15
Tax Fees	–	61	52
All Other Fees	55	71	5
Total	**4,896**	4,426	4,348

Audit related services consist principally of consultations related to financial accounting and reporting standards, including making recommendations to management regarding internal controls and the issuance of certifications of loan covenant compliance required by Millicom's debt agreements. Tax services consist principally of tax planning services and tax compliance services. Other services are services not included in the other categories.

11. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Wages and salaries	(196,318)	(183,220)	(141,931)
Social security	(21,094)	(20,105)	(17,863)
Share-based compensation (see note 24)	(30,718)	(10,175)	(13,619)
Other employee related costs[(i)]	(45,915)	(36,257)	(37,132)
Total	**(294,045)**	**(249,757)**	**(210,545)**

(i) Includes pension costs and other benefits. There are no defined benefit pension plans.

The average number of permanent employees during the years ended December 31, 2010, 2009 and 2008 was as follows:

	2010	2009	2008
Continuing operations	6,109	5,937	4,861
Discontinued operations	237	1,852	1,812
Total average number of permanent employees	**6,346**	**7,789**	**6,673**

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

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Change in fair value of derivatives	(14,597)	–	–
Other exchange (losses) gains, net	(15,105)	(32,181)	(52,265)
Other non operating (expenses) income, net	**(29,702)**	**(32,181)**	**(52,265)**

13. TAXES

Group taxes mainly comprise 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 2010, 2009 or 2008.

The effective tax rate on continuing operations is 12% (2009: 27%, 2008: 40%). Currently Millicom operations are in jurisdictions with income tax rates of 10% to 40% (2009 and 2008: 10% to 40%).

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

	2010 %	2009 %	2008 %
Weighted average statutory tax rate[(i)]	23	23	22
Derecognition (recognition) of previously unrecorded tax losses	–	–	10
Unrecognized current year tax losses[(ii)]	7	9	10
Non taxable income and non deductible expenses, net	–	(1)	(1)
Taxes based on revenue	(7)	(8)	(8)
Income taxes at other than statutory tax rates	2	3	4
Withholding taxes on transfers between operating and non operating entities	3	3	3
Non-taxable gain arising from revaluation of previously held interests	(16)	(2)	–
Effective tax rate	**12**	**27**	**40**

(i) 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 excluding the impact of the revaluation of Honduras (see note 4).
(ii) Unrecognized 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, Colombia and Rwanda.

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Current income tax charge	(223,077)	(201,230)	(192,427)
Net deferred income tax benefit (expense)	(4,019)	13,232	(76,386)
Charge for taxes	**(227,096)**	**(187,998)**	**(268,813)**

13. TAXES continued

The tax effects of significant items comprising the Group's net deferred income tax asset and liability as of December 31, 2009 and 2008 are as follows:

	Consolidated balance sheets		Consolidated income statements	
	2010 US$ '000	**2009 US$ '000**	**2010 US$ '000**	**2009 US$ '000**
Loss carry-forwards	–	5,877	(5,877)	(1,945)
Provision for doubtful debtors	4,206	3,604	602	408
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	(45,456)	(36,631)	(2,398)	(2,411)
Deferred tax liabilities recognized as part of the acquisition of Celtel (see note 4)	(105,392)	–	8,460	–
Deferred tax liabilities recognized as part of the acquisition of Amnet (see note 4)	(25,805)	(32,042)	6,237	9,485
Deferred tax liabilities recognized as part of the acquisition of Navega (see note 4)	(3,126)	(2,962)	936	540
Temporary differences between book and tax basis of other assets and liabilities	3,613	15,592	(11,979)	7,155
Deferred tax benefit (expense)			**(4,019)**	**13,232**
Deferred tax liabilities, net	**(171,960)**	**(46,562)**		
Reflected in the statements of financial position as follows:				
Deferred tax assets	23,959	19,930		
Deferred tax liabilities	(195,919)	(66,492)		

(i) Figures for 2008 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

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 recognized in respect of $3,659 million (2009: $1,955 million) of unremitted earnings of subsidiaries and joint ventures, because the Group was in a position to control the timing of the reversal of the temporary differences 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.

Unrecognized net operating losses and other tax loss carry-forwards relating to continuing operations amounted to $775 million as at December 31, 2010 (2009: $885 million, 2008: $610 million) with expiry periods of between 1 and 5 years except for $378 million of losses which do not expire. In addition the Company has unrecognized net operating losses of $1,833 million (2009: $1,971 million) which do not expire.

14. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of dilutive potential shares.

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Basic			
Net profit attributable to equity holders from continuing operations	1,643,447	551,390	516,316
Net profit attributable to equity holders from discontinued operations	8,786	298,858	1,200
Net profit attributable to equity holders used to determine the basic earnings per share	1,652,233	850,788	517,516
Diluted			
Net profit attributable to equity holders from continuing operations	1,643,447	551,390	516,316
Interest expense on convertible debt (note 26)	–	–	760
Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share	1,643,447	551,390	517,076
Net profit attributable to equity holders from discontinued operations	8,786	298,858	1,200
Net profit attributable to equity holders used to determine the diluted earnings per share	1,652,233	850,788	518,276

	2010 '000	2009 '000	2008 '000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	108,219	108,527	107,869
Effect of dilution:			
Potential incremental shares as a result of share options	177	223	434
Assumed conversion of convertible debt	–	–	343
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	108,396	108,750	108,646

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 2010 were as follows:

	Goodwill US$ '000	Licenses US$ '000	Other(ii) US$ '000	Total US$ '000
Opening balance, net	547,986	218,510	278,341	1,044,837
Change in the composition of the Group (see note 4,5)	869,559	30,519	383,837	1,283,915
Additions (see note 9)	–	26,190	27,246	53,436
Amortization charge(i)	–	(39,353)	(78,801)	(118,154)
Transfers	–	1,751	(1,751)	–
Other movements	–	(80)	(2,167)	(2,247)
Exchange rate movements	10,280	659	10,119	21,058
Closing balance, net	**1,427,825**	**238,196**	**616,824**	**2,282,845**
As at December 31, 2010				
Cost or valuation	1,427,825	401,306	839,112	2,668,243
Accumulated amortization	–	(163,110)	(222,288)	(385,398)
Net	**1,427,825**	**238,196**	**616,824**	**2,282,845**

(i) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".
(ii) The caption "Other" includes mainly those intangible assets identified in business combination (i.e. customers' lists and trademarks).

The movements in intangible assets in 2009 were as follows:

	Goodwill US$ '000	Licenses US$ '000	Other(ii) US$ '000	Total US$ '000
Opening balance, net	507,295	223,678	259,377	990,350
Change in the composition of the Group (see note 4)	38,203	7,566	51,442	97,211
Transfer to assets held for sale (see note 6)	(298)	(8,453)	(73)	(8,824)
Additions (see note 9)	–	18,382	27,730	46,112
Amortization charge(i)	–	(30,142)	(57,798)	(87,940)
Transfers	–	7,603	(7,603)	–
Other movements	–	(107)	452	345
Exchange rate movements	2,786	(17)	4,814	7,583
Closing balance, net	**547,986**	**218,510**	**278,341**	**1,044,837**
As at December 31, 2009				
Cost or valuation	547,986	338,008	413,617	1,299,611
Accumulated amortization	–	(119,498)	(135,276)	(254,774)
Net	**547,986**	**218,510**	**278,341**	**1,044,837**

(i) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".
(ii) The caption "Other" includes mainly those intangible assets identified in business combination (i.e. customers' lists and trademarks).

15. INTANGIBLE ASSETS continued

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Additions	53,436	46,112	121,375
Additions from Discontinued Operations	–	–	(1,823)
Subtotal	**53,436**	**46,112**	**119,552**
Change in suppliers advances	160	–	–
Change in capex accruals and payables	(27,358)	(108)	323
License acquisition costs, paid in shares in Millicom Rwanda Limited	–	–	(7,159)
Cash used from continuing operations for additions from intangible assets	**26,238**	**46,004**	**112,716**

Impairment test of goodwill

As at December 31, 2010, 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 (or group of cash-generating units) to which the goodwill is allocated.

The recoverable amount of a cash-generating unit ("CGU") or group of CGUs is determined based on discounted cash flows. The cash flow projections used (adjusted operating profit margins, income tax, working capital, capital expenditure and license renewal cost) are extracted from financial budgets approved by management and the Board covering a period of 3 years apart from our new business in Rwanda where 8 years has been used. 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 from 2% (2009: 1%). Apart from Millicom's operation in Sierra Leone (see note 6), no impairment losses were recorded on goodwill for the years ended December 31, 2010 and 2009. As part of the impairment tests, sensitivity analysis was performed on the key assumptions from which it was determined that sufficient margin exists from realistic changes to the assumptions that would have resulted in impairment.

The recoverable amounts have been determined for the cash generating units based on the following discount rates for the years ended December 31, 2010 and 2009:

	Discount rate after tax	
	2010	2009
Central America, including Amnet and Navega	9.9%–14.3%	10.7%–15.7%
South America	9.5%–15.9%	10.6%–16.3%
Africa	8.8%–14.6%	9.7%–14.8%

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

Millicom's operations in:	2010 US$ '000	2009 US$ '000
Honduras (see note 4)	891,623	14,364
Amnet Group (see note 4)	341,230	339,982
Colombia	52,283	49,103
El Salvador	42,053	42,053
Senegal	35,209	37,706
Navega Guatemala (see note 4)	24,848	23,839
Other	40,579	40,939
Total goodwill	**1,427,825**	**547,986**

16. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible assets in 2010 were as follows:

	Network equipment(iv) US$ '000	Land and Buildings US$ '000	Construction in Progress US$ '000	Other(i) US$ '000	Total US$ '000
Opening balance, net	2,352,954	81,215	152,234	124,238	2,710,641
Change in the composition of the Group (note 4)(iii)	118,923	2,165	3,431	5,330	129,849
Additions	54,906	417	600,625	21,323	677,271
Impairments and net disposals	(48,038)	(263)	(2,034)	(2,560)	(52,895)
Depreciation charge(ii)(v)	(508,339)	(3,062)	–	(47,431)	(558,832)
Asset retirement obligations	(17,176)	493	–	–	(16,683)
Transfers	560,413	(26,870)	(545,093)	11,550	–
Transfer to assets held for sale (see note 6)	(106,174)	–	–	–	(106,174)
Exchange rate movements	(11,872)	(370)	(2,355)	(913)	(15,510)
Closing Balance	**2,395,597**	**53,725**	**206,808**	**111,537**	**2,767,667**
As at December 31, 2010					
Cost or valuation	4,165,165	65,868	206,808	303,781	4,741,622
Accumulated depreciation	(1,769,568)	(12,143)	–	(192,244)	(1,973,955)
Net	**2,395,597**	**53,725**	**206,808**	**111,537**	**2,767,667**

(i) The caption "Other" mainly includes office equipment and motor vehicles.
(ii) 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".
(iii) The change in the composition of the Group corresponded to the acquisition of Honduras, Navega and other minor investments.
(iv) The net carrying amount of network equipment under finance leases at December 31, 2010, mainly comprising towers, was $41 million.
(v) From January 1, 2010 the estimated useful life of network towers and civil works was changed from 10 to 15 years.

Movements in tangible assets in 2009 were as follows:

	Network equipment US$ '000	Land and Buildings US$ '000	Construction in Progress US$ '000	Other(i) US$ '000	Total US$ '000
Opening balance, net	2,294,605	63,805	310,475	118,339	2,787,224
Change in the composition of the Group (note 4)(iii)	31,132	5	10,087	11,600	52,824
Additions	21,002	1,009	654,325	15,040	691,376
Impairments and net disposals	(497)	(331)	(9,021)	(1,105)	(10,954)
Depreciation charge(ii)	(479,825)	(4,959)	–	(38,711)	(523,495)
Asset retirement obligations	24,209	–	–	–	24,209
Transfers	720,003	22,190	(774,430)	32,237	–
Transfer to assets held for sale (see note 6)	(277,218)	(1,547)	(36,110)	(12,912)	(327,787)
Exchange rate movements	19,543	1,043	(3,092)	(250)	17,244
Closing Balance	**2,352,954**	**81,215**	**152,234**	**124,238**	**2,710,641**
As at December 31, 2009					
Cost or valuation	3,601,325	100,211	152,234	254,971	4,108,741
Accumulated depreciation	(1,248,371)	(18,996)	–	(130,733)	(1,398,100)
Net	**2,352,954**	**81,215**	**152,234**	**124,238**	**2,710,641**

(i) The caption "Other" mainly includes office equipment and motor vehicles.
(ii) 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".
(iii) The change in the composition of the Group corresponded to the acquisition of Navega and other minor investments.

16. PROPERTY, PLANT AND EQUIPMENT continued

The amount of borrowing costs capitalized for the year ended December 31, 2010 was $0 (2009: $4 million).

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

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Additions	693,494	770,448	1,321,316
Additions from discontinued operations	(16,223)	(79,072)	(163,629)
Subtotal	**677,271**	**691,376**	**1,157,687**
Change in suppliers advances	(12,072)	(77,539)	72,881
Change in capex accruals and payables	22,480	162,421	(19,013)
Vendor financing and finance leases (see note 30)	(90,779)	(45,399)	(42,069)
Capitalized interests	–	(4,294)	(8,398)
Cash used from continuing operations for purchase of property, plant and equipment	**596,900**	**726,565**	**1,161,088**

17. INVESTMENTS IN ASSOCIATES

As at December 31, 2010 Millicom's associates, included $17 million representing its 40% interest in Helios Towers Ghana acquired during the year (see note 6).

As at December 31, 2008 Millicom's associates, amounting to $21 million, were Navega, which was 45% held through Millicom's joint venture in Guatemala, and Navega Honduras, which was a subsidiary of Navega. On March 13, 2009, Millicom's joint venture in Guatemala completed the acquisition of the remaining 55% interest in Navega (see note 4) and, as a result, both Navega and Navega Honduras were reclassified from associates to joint ventures (see note 8).

18. NON-CURRENT PLEDGED DEPOSITS

As at December 31, 2010, non-current pledged deposits amounted to $50 million (2009: $53 million) and mainly related to a borrowing in Millicom's operation in Chad (see note 26).

19. TRADE RECEIVABLES

	2010 US$ '000	2009 US$ '000
Gross trade receivables	304,999	262,884
Less: provisions for impairment of receivables	(51,741)	(38,176)
Trade receivables, net	**253,258**	**224,708**

The nominal value less impairment of trade receivables is assumed to approximate their fair values (see note 34).

19. TRADE RECEIVABLES continued

As of December 31, 2010 and 2009, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired US$ '000	Past due but not impaired < 30 days US$ '000	Past due but not impaired 30-90 days US$ '000	Past due but not impaired > 90 days US$ '000	Total US$ '000
2010					
Telecom operators	68,929	30,244	38,340	28	137,541
Own customers	50,339	16,088	6,510	337	73,274
Others	33,508	4,997	3,938	–	42,443
Total	**152,776**	**51,329**	**48,788**	**365**	**253,258**
2009					
Telecom operators	64,043	34,690	40,850	789	140,372
Own customers	29,088	11,990	6,823	1,141	49,042
Others	25,642	4,775	4,877	–	35,294
Total	**118,773**	**51,455**	**52,550**	**1,930**	**224,708**

20. OTHER CURRENT ASSETS

Other current assets are comprised as follows:

	2010 US$ '000	2009 US$ '000
Value added tax receivables	9,319	15,152
Pledged deposits	7,261	9,396
Escrow accounts (see note 27)	11,730	18,039
Other	43,895	15,572
Total other current assets	**72,205**	**58,159**

21. TIME DEPOSITS

As at December 31, 2010, time deposits amounted to $3 million (2009: $50 million bearing interest at 0.65% per annum).

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2010 US$ '000	**2009 US$ '000**
Cash and cash equivalents in U.S. dollars	571,158	1,247,345
Cash and cash equivalents in other currencies	452,329	263,817
Total cash and cash equivalents	**1,023,487**	**1,511,162**

Cash balances are diversified among leading international banks and in domestic banks within the countries where we operate.

23. SHARE CAPITAL

Share capital and share premium

The authorized share capital of the Company totals 133,333,200 registered shares (2009: 133,333,200). As at December 31, 2010, the total subscribed and fully paid-in share capital and premium was $682 million (2009: $661 million) consisting of 109,053,120 (2009: 108,648,325) registered common shares at a par value of $1.50 (2009: $1.50) each.

In 2010, the Company issued a total of 404,795 new shares (2009: 350,818 new shares), resulting from:

- 145,305 new shares (2009: 139,224 new shares) following the exercise of share options;
- 259,490 new restricted shares to employees and directors (2009: 210,673).

No new unrestricted shares were issued to employees and directors in 2010 (2009: 921).

In 2010, the Company re-purchased 3,253,507 shares for $300 million under a share buy-back program (2009: none).

24. SHARE-BASED COMPENSATION

Share options

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 and exercisable at December 31, 2010. The market price of the Company's shares as at December 31, 2010 was $95.60 (2009: $73.77).

	Options outstanding		Options exercisable	
Range of exercise price $	**Weighted average exercise price**	**Number outstanding at December 31, 2010**	**Weighted average exercise price**	**Number exercisable at December 31, 2010**
20.56	20.56	50,469	20.56	50,469
25.05–29.75	26.93	33,332	26.93	33,332
31.88–35.91	34.06	99,996	34.06	99,996
20.56–35.91	**29.06**	**183,797**	**29.06**	**183,797**

24. SHARE-BASED COMPENSATION continued

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

Date issued	Number of options outstanding as at December 31, 2010	Exercise price $	Terms of option
May 1996, May 1997, May 1998, May 2000 and May 2004	133,328	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..
May 2005	15,469	20.56	Exercisable over a five year period in equal installments. Options expire after six years from date of grant.

The following table summarizes the Company's share options as of December 31, 2010, 2009 and 2008, and changes during the years then ended:

	2010		2009		2008	
	Average exercise price in $ per share	Number of options	Average exercise price in $ per share	Number of options	Average exercise price in $ per share	Number of options
Outstanding at beginning of year	26.21	329,788	24.23	494,120	22.60	708,003
Expired/forfeited	25.05	(686)	18.73	(25,108)	19.02	(44,827)
Exercised	22.58	(145,305)	20.53	(139,224)	18.79	(169,056)
Outstanding at end of year	**29.06**	**183,797**	**26.21**	**329,788**	**24.23**	**494,120**
Exercisable at end of year	**29.06**	**183,797**	**28.20**	**243,946**	**27.73**	**252,624**

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.

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 in 2010 were as follows:

	Number of shares	Share price at date of grant	2010 Expense (US$'000)
Directors	5,277	$81.91	432
Total	**5,277**		**432**

Grants to directors in 2009 were as follows:

	Number of shares	Share price at date of grant	2009 Expense (US$'000)
Directors	6,552	$56.17	368
Total	**6,552**		**368**

24. SHARE-BASED COMPENSATION continued

Compensation expense for the total number of shares awarded in 2010 and 2009 to directors was measured on the grant dates using Millicom's closing share price as quoted on the NASDAQ National Market on those dates.

Long-term incentive plans

2007

Long term incentive awards for 2007 ("2007 LTIPs") were approved by the Board on March 15, 2007. The awards consisted of a performance share plan and a matching share award plan.

Shares granted under the performance share plan vest at the end of a three year period, subject to a performance condition related to Millicom's "earnings per share" ("EPS"). The achievement of a certain level of this condition, measured at the end of the three year period, results in the vesting of a specific percentage of shares to each employee in the plan.

The matching share award plan requires employees to invest in shares of the Company in order to be eligible for matching shares. 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 a peer group of companies during the three-year period of the plan. A fair value per share was determined and applied to the total potential number of matching shares and was expensed over the vesting period.

The total charge for the 2007 LTIPs of $15 million was recorded over the service period (2007 to 2009).

In 2010, 158,677 shares were issued under the 2007 performance share plan and 66,659 shares issued under the matching share plan.

2008

Long term incentive awards for 2008 ("2008 LTIPs") were approved by the Board on December 4, 2007. The awards consisted of a performance share plan and a matching share award plan, the mechanisms of which are the same as the 2007 LTIPs.

In 2010, 668 shares were issued under the 2008 performance share plan and 283 shares issued under the matching share plan.

The total charge for the 2008 LTIPs of $25 million was recorded over the service period including $20 million in 2010 when conditions connected to the plan previously not expected to be met, were fulfilled (2008 to 2010).

2009

Long term incentive awards for 2009 ("2009 LTIPs") were approved by the Board on June 16, 2009. The 2009 LTIP's consist of a deferred share awards plan and a performance shares plan.

Shares granted under the deferred plan are based on past performance and vest 16.5% on each of January 1, 2010 and January 1, 2011 and 67% on January 1, 2012.

Shares granted under the performance plan vest at the end of a three year period, 50% subject to a market condition that is based on the TSR of Millicom compared to the TSR of a peer group of companies during the three-year period of the plan, and 50% subject to a performance condition, based on EPS. A fair value per share subject to the market condition was determined and applied to the total potential number of shares under the plan, to be expensed over the vesting period.

In 2010, 612 shares were issued under the 2009 performance share plan and 27,314 shares issued under the deferred share plan.

The total charge for the 2009 LTIPs was estimated as of December 31, 2010 at $10 million, to be recorded over the service periods (2009 to 2011).

24. SHARE-BASED COMPENSATION continued

2010

Long term incentive awards for 2010 ("2010 LTIPs") were approved by the Board on November 27, 2009. The 2010 LTIP's consist of a deferred share awards plan and a performance shares plan. The awards consisted of a performance share plan and a matching share award plan, the mechanisms of which are the same as the 2009 LTIPs.

The total charge for the 2010 LTIPs was estimated as of December 31, 2010 at $15 million, to be recorded over the service period (2010 to 2012).

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

	Performance shares 2010	Deferred share awards 2010	Performance shares 2009	Deferred share awards 2009	Matching share awards plan 2008	Performance shares 2008
Plan share awards	81,862	153,960	124,254	172,352	168,396	223,829
Share awards granted(i)	4,167	8,127	5,867	6,658	4,732	8,317
Revision for expected forfeitures	(9,872)	(12,311)	(22,767)	(27,404)	(86,432)	(78,522)
Revision for expectations in respect of performance conditions	–	–	–	–	(57,609)	–
Shares issued	–	–	(612)	(27,314)	(283)	(668)
Share awards expected to vest	**76,157**	**149,776**	**106,742**	**124,292**	**28,804**	**152,956**

(i) Additional shares granted to take into consideration the special dividend paid in 2010 (see note 28)

Bonus shares

No bonus shares were issued in 2010 or 2009. A charge of $1 million was recorded in 2008 as bonus shares.

Total share-based compensation expense

Total share-based compensation for years ended December 31, 2010, 2009 and 2008 was as follows:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Share options	7	(46)	364
Restricted share grants	432	368	727
2006 LTIP	–	(530)	4,087
2007 LTIP	97	5,142	2,979
2008 LTIP	20,467	167	4,237
2009 LTIP	3,461	5,074	–
2010 LTIP	6,254	–	–
Bonus shares	–	–	1,225
Total share-based compensation expense	**30,718**	**10,175**	**13,619**

25. OTHER RESERVES

	Legal reserve US$ '000	Equity settled transaction reserve US$ '000	Equity component convertible notes US$ '000	Hedge reserve US$ '000	Currency translation reserve US$ '000	Total US$ '000
As at January 1, 2008	**15,103**	**23,960**	**38,913**	**–**	**(32,419)**	**45,557**
Transfer from retained profits	262	–	–		–	262
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)**
Transfer from retained profits	880	–	–		–	880
Shares issued via the exercise of share options	–	(888)	–	–	–	(888)
Share-based compensation	–	9,807	–	–	–	9,807
Issuance of shares–2006, 2007 and 2009 LTIPs	–	(13,891)	–	–	–	(13,891)
Currency translation movement	–	–	–	–	(13,664)	(13,664)
As at December 31, 2009	**16,245**	**25,754**	**–**	**–**	**(106,929)**	**(64,930)**
Transfer from retained profits	53	–	–	–	–	53
Shares issued via the exercise of share options	–	(816)	–	–	–	(816)
Share-based compensation	–	30,286	–	–	–	30,286
Issuance of shares–2007, 2008, 2009 and 2010 LTIPs	–	(16,488)	–	–	–	(16,488)
Cash flow hedge reserve movement	–	–	–	(1,700)	–	(1,700)
Currency translation movement	–	–	–	–	(1,090)	(1,090)
As at December 31, 2010	**16,298**	**38,736**	**–**	**(1,700)**	**(108,019)**	**(54,685)**

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 2010, the shareholders voted to transfer $53 thousand from retained profits to the legal reserve (May 2009: $880 thousand).

Equity-settled transaction reserve
The cost of share options and LTIPs is recognized as an increase in the equity-settled transaction reserve over the period in which the performance and/or service conditions are rendered. When the options are subsequently exercised their cost is transferred from the equity-settled transaction reserve to the share premium. The reserve will be transferred to the share capital and share premium when the shares under the different LTIPs vest and are issued.

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 an equity reserve.

On January 22, 2008, Millicom converted $196 million of outstanding bonds into 5,420,235 ordinary shares and 202,236 Swedish Depository Receipts ("SDRs"). On the same day the remaining $3 million of bonds that were not converted, including accrued interest was repaid in cash. 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 statements of financial position are translated to U.S. dollars using the closing exchange rate. Income statements 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.

26. BORROWINGS

Borrowings comprised the following:

	2010 US$ '000	2009 US$ '000
Corporate debt:		
10% Senior Notes	–	454,477
Other debt and financing	2,352,036	1,892,410
Total borrowings	**2,352,036**	**2,346,887**

Borrowings due after more than one year:

	2010 US$ '000	2009 US$ '000
Corporate debt:		
10% Senior Notes	–	454,477
Other debt and financing:		
8% Senior Notes	435,279	–
Bank financing	1,477,680	1,487,863
Non-controlling shareholders	308,162	274,066
Vendor financing	49,211	25,889
Finance leases	41,235	4,146
Total non-current other debt and financing	**2,311,567**	**2,246,441**
Less: portion payable within one year	(514,995)	(333,541)
Total other debt and financing due after more than one year	**1,796,572**	**1,912,900**

26. BORROWINGS continued

Borrowings due within one year:

	2010 US$ '000	2009 US$ '000
Other debt and financing:		
Bank financing	36,876	71,896
Vendor financing	3,593	28,376
Finance leases	–	174
Total current other debt and financing	**40,469**	**100,446**
Portion of non-current debt payable within one year	514,995	333,541
Total other debt and financing due within one year	**555,464**	**433,987**

The following table provides details of net debt change for the years 2010, 2009 and 2008:

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Net debt at the beginning of the year	**722,935**	**1,483,831**	**659,694**
Cash items			
Proceeds from issuance of debt and other financing	1,147,585	627,872	1,206,607
Repayment of debt and other financing	(1,396,997)	(506,588)	(664,294)
Net (increase) decrease in cash and cash equivalents	487,675	(836,967)	500,402
(Purchase) disposal of time deposits	46,953	(50,061)	–
(Purchase) disposal of pledged deposits	2,462	(45,652)	4,027
Non-cash items			
Vendor financing and finance leases (see note 30)	90,779	45,399	48,632
Interest accretion	31,825	20,908	30,532
10% Senior Notes adjustment	–	–	(28,545)
Conversion of the 4% Convertible Notes	–	–	(176,247)
Debt acquired in acquisition of subsidiaries	–	25,962	3,387
Other	77,249	(95,637)	(19,469)
Exchange movement on debt and other financing	57,753	53,868	(80,895)
Net debt at the end of the year	**1,268,219**	**722,935**	**1,483,831**

Net debt includes interest bearing loans and borrowings, less cash and cash equivalents and pledged and time deposits related to bank borrowings.

10% Senior Notes

On September 9, 2010, Millicom announced early and fully redemption of the 10% Senior Notes. The 10% Senior Notes were repurchased on November 30, 2010 for $490 million representing $459 million of principal, $23 million of interest to December 1, 2010 and $8 million early redemption penalty.

These notes were initially issued in aggregate principal amount of $550 million on November 24, 2003, due on December 1, 2013, of which $90 million were repurchased in 2007. The 10% Senior Notes were bearing interest at 10% per annum, payable semi-annually in arrears on June 1 and December 1.

26. BORROWINGS continued

Other Debt and Financing

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

	2010 US$ '000	2009 US$ '000
Colombia(i)	522,994	508,904
El Salvador(ii)	435,279	159,332
Honduras(iii)	207,277	100,339
Tanzania(iv)	207,086	212,405
Guatemala(v)	163,631	100,351
Ghana(vi)	158,183	137,650
Amnet(vii)	133,816	247,334
Chad(viii)	107,227	94,157
Paraguay(ix)	105,700	59,931
Bolivia(x)	99,085	99,075
DRC(xi)	94,151	78,865
Other	117,607	94,067
Total other debt and financing	**2,352,036**	**1,892,410**
Of which:		
Due after more than 1 year	1,796,572	1,458,423
Due within 1 year	555,464	433,987

Other significant individual financing facilities are described below:

(i) Colombia

In March 2008, Colombia Movil S.A. E.S.P ("Colombia Movil"), Millicom's operation in Colombia, entered into a COP391 billion, 5 year facility with a club of Colombian banks. This facility bears interest at Deposits to Fixed Terms ("DTF") plus 4.5% and is 50% guaranteed by the Company. As at December 31, 2010 $176 million (2009: $191 million) was outstanding on this facility.

Colombia Movil S.A. E.S.P. also had local currency loans from its non-controlling shareholders outstanding as at December 31, 2010 of $308 million (2009: $274 million). These loans bear interest at DTF plus 4.15% and mature between 2011 and 2013.

In addition, as at December 31, 2010 Colombia Movil S.A. E.S.P. had $39 million (2009: $44 million) of other debt and financing, in US$ and local currency.

26. BORROWINGS continued

(ii) El Salvador

On September 23, 2010, Telemovil Finance Co. Ltd., a fully owned subsidiary of Millicom in the Cayman Islands issued $450 million aggregate principal amount of 8% Senior Unsecured Guaranteed Notes (the "8% Senior Notes") due on October 1, 2017. The 8% Senior Notes were issued for $444 million representing 98.68% of the aggregate principal amount. Distribution and other transaction fees of $9 million reduced the total proceeds from issuance to $435 million. The 8% Senior Notes have an 8% per annum coupon with an 8.25% yield and are payable semi-annually in arrears on April 1 and October 1. The effective interest rate is 8.76%.

The 8% Senior Notes are general unsecured obligations of Telemovil Finance Co. Ltd and rank equal in right of payment with all future unsecured and unsubordinated obligations of Millicom. The 8% Senior Notes are guaranteed by Telemovil El Salvador, S.A., a Millicom subsidiary.

Telemovil Finance Co. Ltd has options to partially or fully redeem the 8% Senior Notes as follows:

(i) Full or partial redemption at any time prior to October 1, 2014 for 100% of the principal to be redeemed, or the present value of the remaining scheduled payments of principal to be redeemed and interest, whichever is higher.

(ii) Full or partial redemption at any time on or after October 1, 2014 for the following percentage of principal to be redeemed, plus accrued and unpaid interest and all other amounts dues, if any:

October 1, 2014	104%
October 1, 2015	102%
October 1, 2016	100%

(iii) Redemption of up to 35% of the original principal of the 8% Senior Notes if, prior to October 1, 2013, Telemovil El Salvador receives proceeds from issuance of shares, at a repurchase price of 108% of the principal amount to be redeemed plus accrued and unpaid interest and all other amounts due, if any, on the redeemed notes.

If either Millicom, Telemovil Finance Co. Ltd or Telemovil El Salvador, S.A. experience 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 repurchase of its notes at 101% of their principal amount plus accrued and unpaid interest and all other amounts due, if any.

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%. This loan was fully repaid in 2010. As of December 31, 2009, $130 million of this facility was outstanding.

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%. This loan was fully repaid in 2010. As of December 31, 2009, $6 million of this facility was outstanding.

In December 2009, El Salvador entered into a 2 year loan with Scotiabank, bearing interest at $ LIBOR plus 5.0%. This loan was fully repaid in 2010. As at December 31, 2009, $23 million was outstanding.

(iii) Honduras

Telefonica Celular S.A., Millicom's operation in Honduras, has facilities with several local banks maturing between 2012 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, 2010 between 6.25% and 16.5% (2009: between 7.75% and 11%). As at December 31, 2010, the amount of outstanding debt under these facilities was $207 million. As at December 31, 2009 Millicom's share of the outstanding debt was $100 million.

(iv) 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, 2010, the amount outstanding under these facilities was $200 million (2009: $200 million).

In March 2007 Millicom Tanzania Limited entered into a 5 year Citi-Opic facility, bearing interest at a 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, 2010 amounted to $7 million (2009: $12 million).

26. BORROWINGS continued

(v) Guatemala
In March 2009, Millicom's operation in Guatemala and its sister company Asesoria en Telecomunicaciones SA ("Asertel") entered into four facilities with 3 year maturities for a total of $122 million with Banco de Desarollo Rural S.A., Banco Industrial S.A., Banco G&T Continental S.A., and Blue Tower Ventures Inc. Millicom's share of these facilities amount to $48 million (2009: $67 million), out of which $7 million is guaranteed by the Company.

Comcel also signed another 5 year facility with IFC for $100 million. As at December 31 2010, Millicom's share of the outstanding debt amounted to $64 million (2009: $19 million), bearing interest at $ LIBOR plus 4.50%.

In addition as at December 31, 2010, Comcel had financing of $28 million (Millicom's share of outstanding debt) with Citibank maturing at the end of 2011 bearing a fixed rate of 4.45% (2009: $ Nil) and other financing of $16 million (2009: $14 million).

(vi) Ghana
In December 2007 Millicom (Ghana) Limited, Millicom's operation in Ghana, entered into a $60 million local 5 year 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, 2010, $102 million (2009: $132 million) was outstanding under these facilities.

In December 2009 the operation entered into a 3.5 year $22 million Ericsson arranged financing with EKN and Nordea priced at $ LIBOR + 0.85% fully guaranteed by the Company. As at December 31, 2010, $15 million was outstanding under this facility (2009: $6 million).

In January 2010, the operation signed a sale and lease-back agreement with Helios Towers Ghana, a direct subsidiary of Helios Towers Africa, for most of its cell sites, to be transferred to Helios Towers in 2010 and 2011. As at December 31, 2010, $41 million was outstanding on the finance lease as part of the lease back agreement.

(vii) Amnet
In September 2009, Millicom Cable N.V., a subsidiary of the Company, refinanced with a 2 year, $250 million senior term loan facility fully guaranteed by the Company with Standard Bank, RBS, Nordea, DnB Nor, and Morgan Stanley. This loan agreement is allocated to the 3 main Amnet operating entities in Costa Rica, El Salvador, and Honduras. The loan bore interest for the first six months at $ LIBOR plus 4.5%, for months seven to twelve at $ LIBOR plus 4.75% and thereafter the margin increases by an incremental 25 basis points per quarter. As at December 31, 2009 $247 million was outstanding under this facility. During the course of 2010 the loan was refinanced by a new $105 million 7 year club deal fixed rate facility with HSBC, Bancocolombia and Citibank bearing interest at 6.7% in Costa Rica and a $30 million 7 year bilateral fixed rate financing from Banco Industrial bearing interest at 7% in Honduras. As at December 31, 2010, $104 million was outstanding under the facility in Costa Rica and $29 million for the facility in Honduras.

(viii) Chad
In May and August 2007, Millicom's operation in Chad signed respectively a $31 million 5 year facility with China Development Bank bearing interest at $ LIBOR +2% and a Euro 15 million 5 year Facility with Proparco bearing interest at Euribor +2%. As at December 31, 2010 $13 and $8 million respectively (2009: $23 and $12 million respectively) were outstanding under these facilities, both guaranteed by the Company.

In May 2009, Millicom Chad entered into a XAF6 billion 5 year Facility co-arranged by Societe Generale Cameroun and Financial Bank priced at a fixed interest rate of 7%, fully guaranteed by the Company. At the same date, Millicom Chad signed a XAF21 billion 5 year Subordinated Facility with Societe Generale Tchad with interest at TIAO +1.85% and guaranteed by Nordea. This guarantee is secured by a pledged deposit of $45 million by the Company (see note 18). As at December 31, 2010 $12 and $43 million respectively were outstanding under these facilities (2009: $13 and $46 million respectively).

In December 2009 the operation signed a XAF 5 year fixed rate financing with the IFC bearing interest at 8%. This facility is guaranteed by Millicom. As at December 31, 2010 the amount outstanding under this facility was $18 million (2009: $ nil).

In January 2010 the operation entered into a 3 year deferred payment agreement with Huawei for $50 million, guaranteed by Millicom and bearing interest at LIBOR +3.75%. As at December 31, 2010 the amount outstanding under this agreement was $13 million.

26. BORROWINGS continued

(ix) 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 bears interest at $ LIBOR plus 0.125%. The outstanding amount as at December 31, 2010 was $100 million (2009: $50 million). The EIB loan is guaranteed for commercial risks by a group of banks.

In addition as at December 31, 2010, Telefonica Cellular Del Paraguay had $6 million (2009: $10 million) of other debt and financing outstanding.

(x) 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, is repayable over 7 years and bears interest at $ LIBOR plus 2.25%. The B tranche of $20 million is provided equally by Nordea and Standard Bank, is repayable over 5 years and bears interest at $ LIBOR plus 2%. Both tranches are guaranteed by the Company. As of December 31, 2010, $25 million of this financing agreement was outstanding (2009: $35 million).

In March 2008, Telecel Bolivia signed a 4 year and 9 months financing agreement for $30 million with International Finance Corporation. The loan bears interest at $ LIBOR plus 2% and is fully guaranteed by the Company. As of December 31, 2010, $17 million of this financing agreement was outstanding (2009: $25 million).

In addition to the above, Telecel Bolivia had supplier financing from Huawei (at interest rates of $ LIBOR plus 2%) and FPLT amounting to $13 million at December 31, 2010 (2009: $26 million) and $44 million of other debt and financing outstanding as at December 31, 2010 (2009: $13 million). This additional debt comprises 7 bilateral loans in local currency bearing a fixed rate ranging from 4.5% to 6.5% and maturing between December 2012 and December 2015.

(xi) 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. 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, 2010, $55 million was outstanding under this facility (2009: $75 million).

In September 2009, Oasis entered into a 7 year $50 million financing with the IFC guaranteed by Millicom and bearing interest at LIBOR +5%. As at December 31, 2010 the outstanding amount under this facility was $17 million.

In addition at December 31, 2010, Oasis had other debt and financing of $22 million (2009: $4 million), mainly consisting of $19 million financed from Huawei, bearing interest at Libor + 3% and guaranteed by Millicom.

Fair value of financial liabilities
Borrowings are recorded at amortized cost. The fair value of borrowings as at December 31, 2010 and 2009 is as follows:

	2010 US$ '000	2009 US$ '000
10% Senior Notes	–	474,523
Other debt and financing	2,246,644	1,878,112
Fair value of total debt	**2,246,644**	**2,352,635**

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 (see note 34).

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, 2010 and 2009. Amounts covered by bank guarantees are recorded in the consolidated statements of financial position 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.

26. BORROWINGS continued

As of December 31, 2010

Terms	Bank and other financing guarantees (i) Outstanding exposure US$ '000	Bank and other financing guarantees (i) Maximum exposure US$ '000
0–1 year	–	6,200
1–3 years	360,084	472,231
3–5 years	220,079	293,424
More than 5 years	182,165	265,710
Total(ii)	**762,328**	**1,037,565**

As of December 31, 2009

Terms	Bank and other financing guarantees (i) Outstanding exposure US$ '000	Bank and other financing guarantees (i) Maximum exposure US$ '000
0–1 year	–	–
1–3 years	377,109	393,899
3–5 years	293,542	352,603
More than 5 years	130,152	155,401
Total(ii)	**800,803**	**901,903**

(i) The guarantee ensures payment by the guarantor of outstanding amounts of the underlying loans in the case of non-payment by the obligor.
(ii) Including discontinued operations.

Pledged assets

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit or guarantees issued by the Company as at December 31, 2010 is $1,380 million (2009: $1,172 million). The assets pledged by the Group for these debts and financings at the same date amount to $411 million (2009: $610 million).

27. OTHER NON-CURRENT AND CURRENT PROVISIONS AND LIABILITIES

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

	2010 US$ '000	2009 US$ '000
Non-current legal provisions (note 31)	6,416	6,461
Long-term portion of asset retirement obligations	61,473	76,217
Other	11,878	5,464
Total	**79,767**	**88,142**

Included in non-current legal provisions are litigation contingencies of $2 million (2009: $2 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.

27. OTHER NON-CURRENT AND CURRENT PROVISIONS AND LIABILITIES continued

Provisions and other current liabilities are comprised as follows:

	2010 US$ '000	2009 US$ '000
Deferred revenues	111,169	91,365
Customer deposits	12,242	9,134
Current legal provisions (note 31)	2,314	3,053
Other tax payables	87,541	64,806
Current provisions(i)	21,067	28,785
Other	8,124	13,242
Total	**242,457**	**210,385**

(i) Includes tax and other contingencies for $12 million (2009: $19 million) that were assumed as part of the Amnet and Navega acquisitions. The former shareholders of Amnet and Navega placed in escrow $35 and $3 million respectively to cover these contingencies. Therefore a corresponding financial asset of $12 million (2009: $18 million) has been recorded within "Other current assets".

28. DIVIDENDS

On February 9, 2011 Millicom announced that the Board will propose to the Annual General Meeting of the Shareholders a dividend distribution of $1.80 per share to be paid out of Millicom's profits for the year ended December 31, 2010 subject to the Board's approval of the 2010 Consolidated Financial Statements of the Group.

On February 10, 2010 Millicom announced that the Board will propose to the Annual General Meeting of the Shareholders a dividend distribution of $1.40 per share to be paid out of Millicom's profits for the year ended December 31, 2009 subject to the Board's approval of the 2009 Consolidated Financial Statements of the Group. On April 15, 2010 Millicom announced that the Board of Millicom decided to pay a special dividend of $4.6 per share. The combined dividend of $6 per share was approved by the shareholders at the May 25, 2010 Annual General Meeting and distributed in June 2010.

In December 2009, the shareholders of the Company in an extraordinary general meeting approved the distribution of a gross dividend of $1.24 per share, to be paid out of Millicom's profits for the year ended December 31, 2008. Dividend payable as at December 31, 2009 amounted to $135 million. The dividend was paid on January 5, 2010.

29. DIRECTORS' AND OFFICERS' REMUNERATION

Directors

The remuneration of the members of the Board of Directors of the Company is comprised of an annual fee and share-based compensation. 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, 2010, 2009 and 2008 was as follows:

	Chairman		Other members of the Board		
	No. of shares	US$ '000	No. of shares	US$ '000	Total US$ '000
2010					
Fees		77		444	521
Share-based compensation:(i)					
Restricted shares (ii)	1,007	82	4,270	350	432
Total		**159**		**794**	**953**
2009					
Fees		106		584	690
Share-based compensation:(i)					
Restricted shares (ii)	1,441	81	5,111	287	368
Total		**187**		**871**	**1,058**
2008					
Fees		100		410	510
Share-based compensation:(i)					
Restricted shares (ii)	1,446	165	4,927	562	727
Total		**265**		**972**	**1,237**

(i) See note 24.
(ii) Restricted shares cannot be sold for one year from date of issue.

The number of shares and share options beneficially owned by the Directors as at December 31, 2010 and 2009 was as follows:

	Chairman	Other members of the Board	Total
2010			
Shares	2,318	73,158	75,476
Share options	–	35,000	35,000
2009			
Shares	29,969	76,292	106,261
Share options	20,000	55,000	75,000

Officers

The remuneration of the Officers of the Company ("Officers") comprises 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. Since 2006, the annual base salary and other benefits of the Chief Executive Officer ("CEO") are proposed by the Compensation Committee and approved by the Board and the annual base salary and other benefits of the Chief Financial Officer ("CFO") and Chief Operating Officer ("COO") were set by the CEO and approved by the Board.

On March 2, 2009, Millicom announced that the Board appointed Mikael Grahne, who has been the COO of Millicom since February 2002, to succeed Marc Beuls as President and CEO. Since this date the position of COO no longer existed.

29. DIRECTORS' AND OFFICERS' REMUNERATION continued

The remuneration charge for the Officers for the years ended December 31, 2010, 2009 and 2008 was as follows:

	Current Chief Executive Officer US$ '000	Former Chief Executive Officer US$ '000	Chief Operating Officer US$ '000	Current Chief Financial Officer US$ '000	Former Chief Financial Officer US$ '000
2010					
Base salary	1,261	–	–	614	–
Bonus	1,823	–	–	624	–
Pension	385	–	–	112	–
Other benefits	178			74	
Total	**3,647**	**–**	**–**	**1,424**	**–**
Share-based compensation:(i)		–	–		–
Shares issued/charge under long term incentive plans(ii)	2,874	–	–	1,243	–
Charge for share options	5	–	–	–	–
2009					
Base salary	1,380	2,349	–	625	–
Bonus	1,988	1,388	–	503	–
Other benefits	142	–	–	–	–
Total	**3,510**	**3,737**	**–**	**1,128**	**–**
Share-based compensation:(i)					
Shares issued/charge under long term incentive plans(ii)	1,598	(2,829)(iii)	–	129	–
Charge for share options	16	10	–	–	–
2008					
Base salary	–	2,406	750	214	706
Bonus	–	1,309	882	125	–
Pension	–	–	–	–	85
Other benefits	–	–	231	7	–
Total	**–**	**3,715**	**1,863**	**346**	**791**
Share-based compensation:(i)	–				
Shares issued/charge under long term incentive plans(ii)	–	3,737	1,410	23	935
Charge for share options	–	59	29	–	240

(i) See note 24.
(ii) Share awards of 41,628 and 19,891 were granted in 2010 under the 2010 LTIPs to the CEO and CFO. Share awards of 35,011 and 13,323 were granted under the 2009 LTIPs to the CEO and CFO. Share awards of 45,074, 23,561, 18,266 and 4,761 were granted under the 2008 LTIPs to the former CEO, former COO, former CFO and CFO.
(iii) Reversal for non-vested shares of the former CEO, Marc Beuls.

29. DIRECTORS' AND OFFICERS' REMUNERATION continued

The number of shares, share options and unvested share awards beneficially owned by senior management as at December 31, 2010 and 2009 was as follows:

	Chief Executive Officer	Chief Financial Officer	Total
2010			
Shares	648,647	905	649,552
Share options	–	–	–
Share awards not vested	99,431	37,720	137,151
2009			
Shares	607,404	–	607,404
Share options	15,040	–	15,040
Share awards not vested	81,377	17,106	98,483

Severance payments
If employment of the executives is terminated by Millicom, severance payment of up to 12 months salary is payable.

30. 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, 2010, 2009 and 2008.

	2010 US$ '000	2009 US$ '000	2008 US$ '000
Investing activities			
Acquisition of property, plant and equipment (see note 16)	(90,779)	(45,399)	(42,069)
Asset retirement obligations (see note 16)	16,683	(24,209)	(11,987)
Financing activities			
Vendor financing and finance leases (see note 16)	90,779	45,399	42,069
Share-based compensation (see note 24)	30,718	10,175	13,619

31. COMMITMENTS AND CONTINGENCIES

Operational environment
Millicom has operations in emerging markets, namely 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 faces uncertainties regarding taxation, interconnect, license renewal and tariff 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, 2010, the total amount of claims against Millicom's operations was $143 million (December 31, 2009: $48 million) of which $6 million (December 31, 2009: $11 million) relate to joint ventures. As at December 31, 2010, $9 million (December 31, 2009: $10 million) has been provided for these claims in the consolidated statement of financial position. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group's financial position and operations.

31. COMMITMENTS AND CONTINGENCIES continued

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

The Sentel license to provide mobile telephony services in the Republic of Senegal has been challenged by the Senegalese authorities. As of today, Sentel continues to provide telephony services to its customers 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 the Senegal Telecommunications Act. Although the current Senegalese government has, since 2002, acknowledged the validity of the 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 the 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 the Republic of Senegal against Millicom and Sentel and sought court approval for the revocation of Sentel's license and sought damages against Sentel and Millicom.

In July 2010, the ICSID panel ruled that it has jurisdiction over the claims brought by Sentel and MIO B.V., overruling the objections to ICSID's jurisdiction made by the Republic of Senegal. On November 10, 2010, the Republic of Senegal withdrew its action against Sentel and Millicom in the court proceedings in Senegal. ICSID has scheduled a hearing on the merits of the case to begin in November 2011.

Lease commitments

Operating Leases:

The Group has the following annual operating lease commitments as of December 31, 2010 and 2009.

	2010 US$ '000	2009 US$ '000
Operating lease commitments		
Within: one year	63,375	66,223
Between: one to five years	235,195	226,289
After: five years	143,390	139,894
Total	**441,960**	**432,406**

Operating leases comprise mainly of lease agreements relating to land and buildings. The operating lease terms and conditions reflect normal market conditions. Total operating lease expense from continuing operations was $83 million in 2010 (2009: $73 million, 2008: $59 million–see note 10).

Finance leases:

The Group's future minimum payments on finance leases were $120 million at December 31, 2010 and mainly comprised leased towers in Ghana under 12 year leases (see note 16). Other financial leases are not material and mainly consist of lease agreements relating to vehicles used by the Group.

The Group has the following tower finance lease liabilities as of December 31, 2010 and 2009.

	2010 US$ '000	2009 US$ '000
Finance lease commitments		
Within: one year	6,874	–
Between: one to five years	33,438	–
After: five years	79,430	–
Total	**119,742**	–

31. COMMITMENTS AND CONTINGENCIES continued

Capital commitments

As of December 31, 2010 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 $207 million (2009: $186 million), of which $19 million (2009: $35 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 $308 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 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 recognized as they had not yet been used as at December 31, 2010 was $1 million (2009: $5 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. As at December 31, 2010, $60 million (December 31, 2009: $46 million) of Millicom's retained profits represent statutory reserves and are undistributable to owners of the Company.

Foreign currency forward contracts

As of December 31, 2010, the Group held foreign currency forward contracts to sell Colombian Pesos in exchange for United States Dollars for nominal of $84 million. Net exchange losses on these forward contracts for the year were $15 million.

Ownership agreements with non-controlling shareholders

As of December 31, 2010 agreements with non-controlling shareholders to increase Millicom's ownership of its cable businesses in El Salvador from 55% to 100% and in Honduras from 100% to 66.7% were pending regulatory approval.

32. 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, 2010 and 2009, Kinnevik owned approximately 35% of Millicom.

During 2010 and 2009, Kinnevik did not purchase any Millicom shares.

Services purchased and sold to related companies

For the year ended December 31, 2010 the Group made purchases for an amount of $4 million (2009: $1 million; 2008: $3 million) and had outstanding balances as at December 31, 2010 of $1 million (as at December 31, 2009: $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, 2010 and 2009, Millicom had no receivables from related parties.

33. FINANCIAL RISK MANAGEMENT

Terms, conditions and risk management policies

Exposure to interest rate, foreign currency, non-repatriation, liquidity and credit risks arise in the normal course of Millicom's business. The Group analyses each of these risks individually as well as on an interconnected basis and defines and implements strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. Millicom's risk management strategies may include the use of derivatives. Millicom's policy prohibits the use of such derivatives in the context of speculative trading.

Interest rate risk

Interest rate risk generally arises on 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 risk of 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 with target for the debt to be equally distributed between fixed and variable rates. The Group actively monitors borrowings against target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Millicom's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At December 31, 2010, approximately 36% of the Group's borrowings are at a fixed rate of interest or for which variable rates have been swapped for fixed rates under interest rate swaps (2009: 24%).

To comply with internal policies, in January 2010 Millicom entered into an interest rate swap to hedge the interest rate risk of the floating rate debt in three different countries (Tanzania, DRC and Ghana). The interest rate swap was issued in January 2010 for a nominal amount of $100 million, with maturity January 2013. If Millicom had entered into the swap agreement on December 31, 2009, 28% of Group's borrowings would have been at a fixed rate of interest.

In 2010 Millicom entered into interest rate swaps to hedge the interest rate risks on floating rate debts in Honduras and Costa Rica. The interest rate swap in Honduras was issued for a nominal amount of $30 million, with maturity in 2015, and in Costa Rica for a nominal amount of $105 million with maturity in 2017.

The table below summarizes, as at December 31, 2010, our fixed rate debt and floating rate debt:

	Amounts due within						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	(in thousands of U.S. Dollars, except percentages)						
Fixed rate	69,761	36,361	60,987	64,885	70,409	549,062	851,465
Weighted average nominal interest rate	5.69%	6.19%	6.35%	5.89%	6.66%	8.81%	7.87%
Floating rate	485,703	334,637	193,167	246,496	155,378	85,190	1,500,571
Weighted average nominal interest rate	7.25%	6.25%	6.39%	6.29%	6.70%	4.55%	6.55%
Total	**555,464**	**370,998**	**254,154**	**311,381**	**225,787**	**634,252**	**2,352,036**
Weighted average nominal interest rate	7.05%	6.25%	6.38%	6.20%	6.69%	8.25%	7.03%

The table below summarizes, as at December 31, 2009, our fixed rate debt and floating rate debt:

	Amounts due within						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
	(in thousands of U.S. Dollars, except percentages)						
Fixed rate	96,881	5,667	5,225	455,075	656	779	564,283
Weighted average nominal interest rate	8.4%	6.7%	6.2%	10.0%	6.5%	6.5%	9.6%
Floating rate	337,106	662,220	399,741	237,982	116,163	29,392	1,782,604
Weighted average nominal interest rate	5.6%	5.7%	5.8%	6.3%	5.0%	3.6%	5.7%
Total	**433,987**	**667,887**	**404,966**	**693,057**	**116,819**	**30,171**	**2,346,887**
Weighted average nominal interest rate	6.2%	5.7%	5.8%	8.7%	5.0%	3.6%	6.6%

A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at December 31, 2010, would increase or reduce profit before tax from continuing operations for the year by approximately $15 million (2009: $18 million).

33. FINANCIAL RISK MANAGEMENT continued

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 where it is either commercially more advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom accepts the remaining currency risk associated with financing its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

The following table summarizes debt denominated in US$ and other currencies at December 31, 2010 and 2009.

	2010 US$ '000	2009 US$ '000
Total US$	1,571,757	1,570,525
Colombia	522,994	508,904
Chad	72,754	70,449
Tanzania	56,659	72,553
Bolivia	43,878	12,426
Ghana	40,565	–
Guatemala	20,552	31,819
Other	22,877	80,211
Total non-US$ currencies	**780,279**	**776,362**
Total	**2,352,036**	**2,346,887**

At December 31, 2010, 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 from continuing operations would have increased/decreased by $105 million and $129 million respectively (2009: $82 million and $90 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with functional currencies other than the US dollar. The increase in the effect of a change in the rate of the US$ between 2010 and 2009 is mainly as a result of the increase in profit before tax of operations within the Group that have functional currencies other than the US dollar.

Non-repatriation risk

Most of the operations in which we have interests receive substantially all of their revenues in the currency of the countries in which they operate. We derive substantially all of our revenues through funds generated by our local operations and, therefore, we rely on their ability to transfer funds to the Company.

Although there are foreign exchange controls in some of the countries in which our mobile telephone companies operate, none of these countries currently significantly restrict the ability of these operations to pay interest, dividends, technical service fees, royalties or repay loans by exporting cash, instruments of credit or securities in foreign currencies. However, existing foreign exchange controls may be strengthened in countries where we operate, or foreign exchange controls may be introduced in countries where we operate that do not currently impose such restrictions, in which case, the Company's ability to receive funds from the operations will subsequently be restricted, which would impact our ability to pay dividends to our shareholders.

In addition, in some countries, it may be difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effects of this are time delays in accumulating significant amounts of foreign currency and exchange risk, which could have an adverse effect on the Group's results of operations.

33. FINANCIAL RISK MANAGEMENT continued

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, amounts due from joint venture partners, supplier advances and other current assets. Counterparties to agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and management has taken steps to diversify its banking partners so as to avoid any significant exposure to specific banks.

A large portion of turnover comprises prepaid airtime. For customers for whom 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 receivable are mainly derived from balances due from other telecom operators. Credit risk of other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. The Group maintains a provision for impairment of trade receivables based upon expected collectability of all trade receivables.

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

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 capital and operating expenditures required in maintaining and developing local business.

The Group manages its liquidity risk through use of bank overdrafts, bank loans, vendor financing, Export Credit Agencies and Direct Financial Institutions ("DFI") and finance leases. Millicom believes that there is sufficient liquidity available in our markets to meet ongoing liquidity needs. Additionally, Millicom is able to arrange offshore funding through the use of Export Credit Agency guarantees and DFIs (IFC, PROPARCO, DEG and FMO), who have been established specifically to finance development in our markets. Millicom is diversifying its financing with commercial banks representing about 70% of its gross financing, Direct Financial Institutions 15%, suppliers 2% and partners 13%. The Group is therefore not dependent on a few sources of financing but is relying on various financing opportunities.

The tables below summarize the maturity profile of the Group's net financial liabilities at December 31, 2010 and 2009.

	Less than 1 year US$ '000	1 to 5 years US$ '000	> 5 years US$ '000	Total US$ '000
Year ended 31 December 2010				
Total borrowings (see note 26)	(555,464)	(1,162,320)	(634,252)	(2,352,036)
Cash and cash equivalent	1,023,487	–	–	1,023,487
Time deposit	3,106	–	–	3,106
Pledged deposit (relating to bank borrowings)	7,261	49,963	0	57,224
Net cash (debt)	**478,390**	**(1,112,357)**	**(634,252)**	**(1,268,219)**
Future interest commitments(i)	(145,664)	(346,193)	(26,109)	(517,966)
Trade payables (excluding accruals)	(315,058)	–	–	(315,058)
Derivative financial instruments	–	(18,250)	–	(18,250)
Other financial liabilities (including accruals)	(734,448)	–	–	(734,448)
Trade receivables	253,258	–	–	253,258
Other financial assets	200,630	17,754	–	218,384
Net financial asset (liability)	**(262,892)**	**(1,459,046)**	**(660,361)**	**(2,382,299)**

33. FINANCIAL RISK MANAGEMENT continued

	Less than 1 year US$ '000	1 to 5 years US$ '000	> 5 years US$ '000	Total US$ '000
Year ended 31 December 2009				
Total borrowings (see note 26)	(433,987)	(1,882,729)	(30,171)	(2,346,887)
Cash and cash equivalent	1,511,162	–	–	1,511,162
Time deposit	50,061	–	–	50,061
Pledged deposit (relating to bank borrowings)	9,396	53,333	–	62,729
Net cash (debt)	**1,136,632**	**(1,829,396)**	**(30,171)**	**(722,935)**
Future interest commitments(i)	(142,709)	(230,392)	(1,263)	(374,364)
Trade payables (excluding accruals)	(341,707)	–	–	(341,707)
Other financial liabilities (including accruals)	(565,967)	–	–	(565,967)
Trade receivables	224,708	–	–	224,708
Other financial assets	150,518	7,965	–	158,483
Net financial asset (liability)	**461,475**	**(2,051,823)**	**(31,434)**	**(1,621,782)**

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

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. Millicom is rated by one independent rating agency, namely Moody's, which upgraded Millicom's rating by one notch to Ba1, which is just one notch below investment grade. The Group monitors capital using primarily a net debt to adjusted operating profit ratio, as well as a set of other indicators.

	2010 US$ '000	2009 US$ '000
Net debt	1,268,219	722,935
Adjusted operating profit (see note 9)	1,840,624	1,545,459
	Ratio	**Ratio**
Net debt to adjusted operating profit ratio	**0.7**	**0.5**

The Group reviews it gearing ratio (net debt divided by total capital plus net debt) periodically. Net debt includes interest bearing loans and borrowings, less cash and cash equivalents and pledged deposits related to bank borrowings. Capital represents equity attributable to the equity holders of the parent.

	2010 US$ '000	2009 US$ '000
Net debt	1,268,219	722,935
Equity	3,159,011	2,310,130
Net debt and equity	**4,381,680**	**3,106,738**
Gearing ratio	**29%**	**23%**

34. FINANCIAL INSTRUMENTS

The following table shows the carrying and fair values of Millicom's financial instruments, by category, as of December 31, 2010 and 2009:

	Carrying value		Fair value	
	2010 US$ '000	2009 US$ '000	2010 US$ '000	2009 US$ '000
FINANCIAL ASSETS				
Loans and receivables				
Pledged deposits	49,963	53,333	49,963	53,333
Other non-current assets	17,754	7,965	17,754	7,965
Trade receivables, net	253,258	224,708	253,258	224,708
Amounts due from joint venture partners	99,497	52,590	99,497	52,590
Prepayments and accrued income	89,477	65,064	89,477	65,064
Other current assets	72,205	58,159	72,205	58,159
At fair value through profit and loss				
Time deposit	3,106	50,061	3,106	50,061
Cash and cash equivalents	1,023,487	1,511,162	1,023,487	1,511,162
Total	**1,608,747**	**2,023,042**	**1,608,747**	**2,023,042**
Current	1,541,030	1,961,744	1,541,030	1,961,744
Non-current	67,717	61,298	67,717	61,298
FINANCIAL LIABILITIES				
Financial liabilities				
Debt and financing (see note 26)	2,352,036	2,346,887	2,246,644	2,352,635
Trade payables	202,707	194,691	202,707	194,691
Payables and accruals for capital expenditure	278,063	276,809	278,063	276,809
Derivative financial instruments	18,250	–	18,250	–
Amounts due to joint venture partners	97,919	52,180	97,919	52,180
Accrued interest and other expenses	228,360	173,609	228,360	173,609
Dividend payable	–	134,747	–	134,747
Other liabilities	24,120	13,806	24,120	13,806
Total	**3,201,455**	**3,192,729**	**3,096,063**	**3,198,477**
Current	1,374,755	1,275,157	1,374,755	1,275,157
Non-current	1,826,700	1,917,572	1,721,308	1,923,320

The fair value of Millicom's financial instruments is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of all financial assets and all financial liabilities except debt and financing approximate their carrying value largely due to the short-term maturities of these instruments. The fair values of all debt and financing have been estimated by the Group based on discounted future cash flows at market interest rates.

Effective January 1, 2009, Millicom adopted the amendment to IFRS 7 for financial instruments that are measured in the Statement of Financial Position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

35. SUBSEQUENT EVENTS

Dividend

On February 9, 2011 Millicom announced that the Board will propose to the Annual General Meeting of the Shareholders a dividend distribution of $1.80 per share to be paid out of Millicom's profits for the year ended December 31, 2010 subject to the Board's approval of the 2010 Consolidated Financial Statements of the Group.

Senegal license

As disclosed in note 31, the Sentel license to provide mobile telephony services in Senegal continues to be challenged by the Senegalese authorities. In February 2011 the ICSID has scheduled a hearing on the merits of the case to occur in November 2011.

Shareholder information

Corporate and registered office
Millicom International Cellular SA
15 rue Léon Laval
L-3372 Leudelange
Grand Duchy of Luxembourg
Tel: +352 27 759 101
Fax: +352 27 759 359
RCB 40630 Luxembourg

Investor Relations
Emily Hunt
Tel: +44 7779 018539

Visit MIC's homepage at
http://www.millicom.com

Financial Calendar
April 19, 2011
First quarter results

July 19, 2011
Second quarter results

October 18, 2011
Third quarter results

February 2012
Full year results 2011