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# Leaders in Innovation

MILLICOM INTERNATIONAL CELLULAR S.A.
**Annual Report and Accounts 2009**

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 services that are affordable, useful and fun, and sell them from every street corner. We focus on what customers need and want rather than what technology can achieve.

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, market share gains 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.

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# Contents

**Overview**
At a Glance 02
2009 Highlights/KPIs 03
Chairman's Statement 04
Chief Executive Officer's Review 05
Executive Team 10
Our Innovations 12

**Review of Operations**
Central America 16
South America 20
Africa 24
Cable 28

**Corporate Governance**
Board of Directors 30
Corporate Social Responsibility 32
Directors' Report 36

**Financial Statements**
Management's Report on Internal Control over Financial Reporting 40
Report of Independent Registered Public Accounting Firm 41
Consolidated Income Statements 42
Consolidated Statements of Comprehensive Income 43
Consolidated Balance Sheets 44
Consolidated Statements of Cash Flows 46
Consolidated Statements of Changes in Equity 47
Notes to the Consolidated Financial Statements 49

# At a Glance

Millicom provides voice, data, cable TV and value-added services to 34 million customers in emerging markets in Central America, South America and Africa.

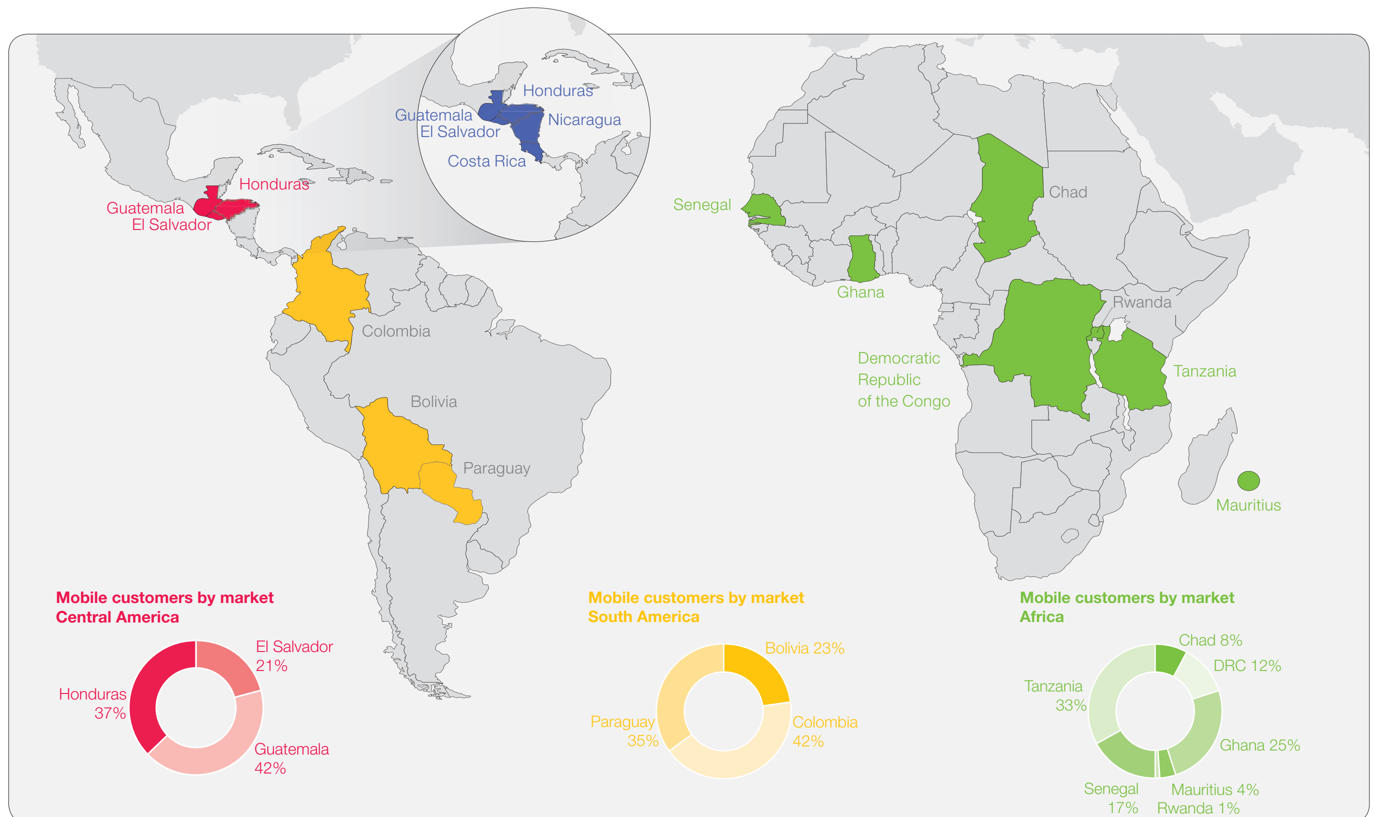
Overview

## Central America

| Population under license | Customers ('000) |
|---|---|
| 28 million | 12,902 |
| Revenue (US$m) | EBITDA (US$m) |
| 1,315 | 731 |
| Cell sites | Outlets '000 |
| 4,513 | 167 |

## Cable

| Population under license | RGUs ('000) |
|---|---|
| 38 million | 631 |
| Revenue (US$m) | EBITDA (US$m) |
| 200 | 91 |
| Broadband customers as percentage of cable customers | Homes passed ('000) |
| 32% | 1,287 |




## South America

| Population under license | Customers ('000) |
|---|---|
| 63 million | 8,815 |
| Revenue (US$m) | EBITDA (US$m) |
| 1,076 | 439 |
| Cell sites | Outlets '000 |
| 4,408 | 176 |

## Africa

| Population under license | Customers ('000) |
|---|---|
| 169 million | 12,203 |
| Revenue (US$m) | EBITDA (US$m) |
| 782 | 285 |
| Cell sites | Outlets '000 |
| 3,740 | 223 |

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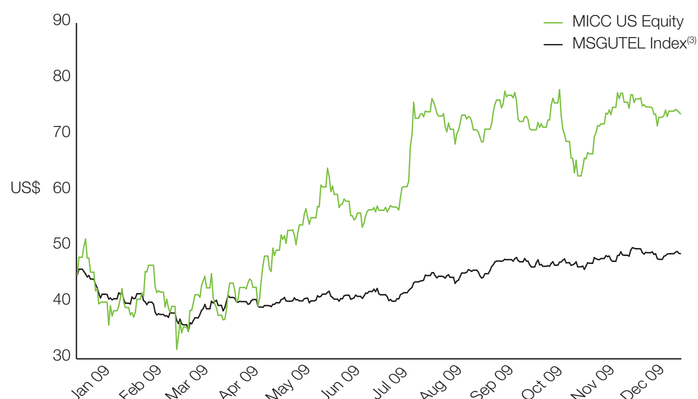
### Financial Highlights

- Subscribers up 22% to 33.9 million
- 10% constant currency revenue growth
- 46% growth in high margin VAS[1] revenues
- EBITDA margin of 45.8% – up 2.4 percentage points year-on-year
- Weighted market share up 1.5 percentage points on 2008
- Operating free cash flow of $658m or 20% of revenues

### Operational/Strategic Highlights

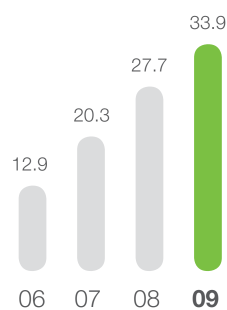
- Number one positions in five markets[2], number two positions in six markets
- Successful divestment of Asia to focus on Africa and Latin America
- Launch of wireless services in Rwanda
- Commencement of regular dividend policy
- Reorganisation of Group structure to create dedicated innovation teams

### Share Price Performance

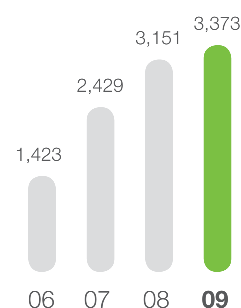



## Key Performance Indicators

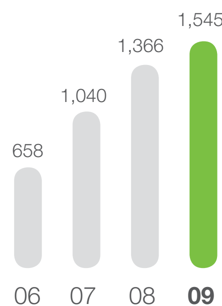
**Customers** m



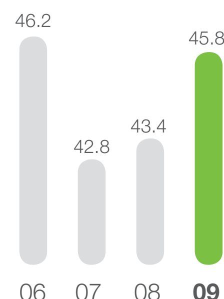

**Revenue** US$m



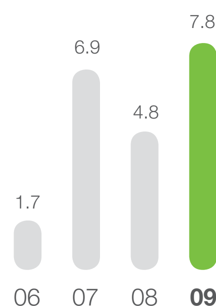

**EBITDA** US$m



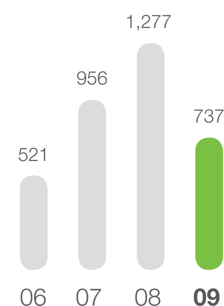

**EBITDA Margin** %




**EPS** US$




**Capex** US$m




(1) Value-Added Services.
(2) Including DRC, where Tigo is no. 1 in the Kinshasa/Bas Congo region only.
(3) MSCI World Telecoms Index.

Millicom has thrived in 2009, despite a very challenging environment. Although growth has inevitably been lower, particularly in Central America, we have still grown faster than our competitors and have made significant market share gains as a result. Our strong brand, best-in-class distribution and smart, transparent pricing have been major contributors to our growth.

In addition, the value of our growth has been enhanced by improving margins and very strong cash generation, with over $650 million of operating free cash flow during the year.

## Strategic Update

In May 2009, we took the decision to divest our Asian operations, which were small in a Group context and where we suffered from a subscale regional presence. By the year end, we had completed two out of the three disposals, and received close to $500 million in proceeds.

We also successfully integrated Amnet, our Central American cable TV and broadband business, during the year. Organic revenue growth for Amnet, at 9%, has been encouraging in an adverse economic environment.

Across the Group, we stepped up our focus on innovation as a key differentiator and driver of growth. By the fourth quarter, 21% of recurring mobile revenues were already coming from non-voice services, up from 16% in Q1.

## Shareholder Returns

We were pleased to see the share price rise 67% during the course of 2009, to close the year at $73.77. The closing high for the year was $79.19 and the low was $31.50.

In recognition of the changing profile of the Group and the Board's confidence in the sustainability of annual cash flows, we introduced a regular dividend policy in November 2009. As a result of this policy, we paid a dividend of $1.24 to shareholders for the 2008 year, and have proposed a dividend of $1.40 for the 2009 year, an increase of 13% year-on-year.

Our strong cash flow, combined with the proceeds from the Asian divestments, have left us in a very strong financial position, with cash balances of over $1.5 billion and net debt to EBITDA at 0.5x at the year end, and we are actively reviewing acquisition opportunities in our core markets of Africa and Latin America.

## People

At Millicom, we firmly believe that it is our people who make the difference between us and our competitors. 2009 has created new challenges, as we need to work harder for our future growth and can no longer just rely on rising penetration. Our executive team, which combines several of the key architects of Millicom's success with talented newcomers who bring valuable experience from other consumer industries, are clearly focused on positioning the business for this new phase of its evolution.

The single most important job of the Board is to make sure that the right person is running the Company. Having successfully served as CEO for 11 years, Marc Beuls stepped down in March and our COO Mikael Grahne took over. The Board is confident that Mikael is the right CEO for Millicom at this time.

All our people throughout the organisation have dealt extremely well with the new operating environment, and helped us prove that we are able to do business profitably – and grow – even when times are tougher. I would like to thank all employees on behalf of the Board.

**Daniel Johannesson**
Chairman

"Group revenues were up 7% to $3,373 million, with underlying constant currency revenue growth of 10%."

**Mikael Grahne,**
Chief Executive Officer

I am delighted with the progress we have made this year. Overall, we have grown faster than our competitors and we have demonstrated that we can grow our business profitably in a much tougher business environment than we have witnessed before; we have made some important strategic decisions – such as our exit from Asia and our reorganisation around innovation and defined customer segments – and acted on them decisively; and we have significantly improved cash flow while continuing to commit substantial resources to our platform for future growth.

## Financial Performance

Customer growth was 22%, with 6.2 million new customers in the year taking our total base to 33.9 million. Group revenues were up 7% to $3,373 million (2008: $3,151 million), with underlying constant currency revenue growth of 10%.

At the same time, margins have improved materially. This reflects our strong market positions, tight cost control and excellent growth in higher margin value-added services. Group EBITDA was up 13% to $1,545 million (2008: $1,366 million), with the margin up 2.4 percentage points to 45.8%. The main drivers here have been Africa and Colombia. We are making good progress towards our goal of reaching the Group average margin in Africa within the next two years.

Most notably, the cash profile of our businesses has changed beyond recognition in the course of the last 12 months. We generated operating free cash flow of $658 million in 2009, equivalent to 20% of revenues, compared to a small outflow in 2008.

In the fourth quarter of 2009, all three of our mobile regions, as well as our cable operations, were cash flow positive.

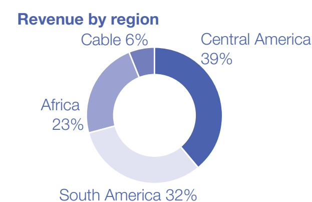
This dramatic change reflects the slowdown in our investment requirements after the significant commitments to building out network coverage and capacity in previous years. This year we spent $737 million on capex and we believe that this new level is sufficient to sustain our future growth.

As a result of our performance in 2009, Millicom is now becoming a much more balanced portfolio of assets, with all regions now making a material contribution to revenues and profits. Our historical reliance on Central America as a source of profits and cash to fund growth in the rest of the Group is now reducing, as all our operations are increasingly becoming self-funding.

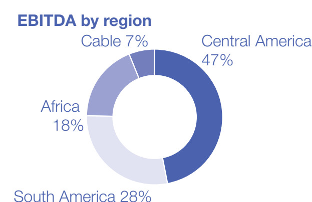
**45.8%**

EBITDA margin up 2.4 percentage points

**Revenue by region**




**EBITDA by region**



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Overview

## Strategic Goals

Our goal is simple: we want to consistently grow faster than our competitors and the market, and to translate that superior performance into profits, cash and good returns on invested capital.

Delivering this goal relies on three broad strategic drivers:

- Aiming for number one or two positions in each of our geographical markets, to assure optimal in-market scale and financial returns;
- Leading in innovation, by structuring the business for success and by getting ever closer to our customers and giving them more reasons to use our services more often; and
- Ensuring our services are always easy to buy and easy to use.

We achieved our goals in 2009. We increased our blended market share from 27.2% to 28.7% across our markets through the course of the year, a strong performance in the context of the stiff competition that typifies wireless services. By growing revenues at 10% in local currency terms, we outstripped our major competitors. Most importantly of all, we delivered this superior growth while enhancing our EBITDA margin by 2.4 percentage points and generating operating free cash flow at nearly 20% of revenues – some way ahead of our guidance. Success in each of our drivers was key to this performance.

## Aiming for Number One or Two Positions

At the end of 2009, we were number one in five of our markets*, based on subscriber numbers, and number two in six more. The only markets where we are number three are Colombia, where we acquired a business with a small market share three years ago, and Rwanda, where we acquired the third license at the end of 2008 and have recently started service.

It is no coincidence that our number one market positions correlate quite closely with our highest EBITDA margins. In Central America, where we are number one in all three of our markets and have a high proportion of on-net calls, our blended EBITDA margin in 2009 was 55.6%. We held or gained share in most of our number one markets during the year, demonstrating that we can defend our market position while protecting our margins.

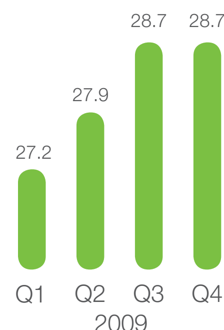
In several markets we are the fast-growing number two, with real potential to become the number one operator in the next year or two. Bolivia, Tanzania and Chad all recorded excellent growth during 2009, and increased margins while growing their top line strongly.

We were attracted by the license opportunity in Rwanda because we saw a market with a progressive government, only two networks and relatively low penetration. Having launched our operations in December 2009, we are confident that we can become the number two operator there within the next few years.

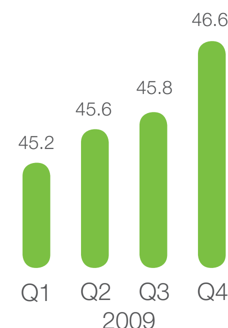
**#1 or 2**

in 11 markets

**Market Share**
%




**EBITDA Margin**
%




* Including DRC, where Tigo is no. 1 in the Kinshasa/Bas Congo region only.

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"If we want to grow our business and take market share, our services need to be more easily attainable and more user-friendly than those of our competitors."
Mikael Grahne, CEO



## Leading in Innovation

2009 was a great year for innovation at Millicom as we have continued to develop superior consumer insight and develop tailor-made products and services for the various distinct segments of our customer base, as well as restructuring the business for continued success. During the year, a total of 4 million people were given individual training in VAS across Latin America.

Non-voice revenues grew consistently at around 46% through the year, and by the fourth quarter they represented a market-leading 21% of all service revenues.

This wasn't just driven by SMS, but by a whole range of data and entertainment services, as well as 3G broadband, which captured the imagination of our customers. The innovation stories and regional reviews in this report will give you more examples of these.

However, we think of innovation as being far more than the development of new services. To us, it also means doing business in a different way so that we can be more effective in executing our plans. We made a number of changes to our organisational structure this year to help us achieve this.

Firstly, we have created regional offices in Miami and Dubai and we have installed dedicated innovation teams to be close to our markets and interact closely with operational management in each country. We have structured teams around four types of customer need – communication, information, entertainment and solutions – so that we can focus on developing new services in each of these categories as we move from being a product-driven to a customer-driven organization. We have also carefully reviewed our competences and assets to see what we need to own and control, and what we can outsource. This is, in part, a consequence of the difficult economic environment, but is mainly a positive development designed to allow the business to focus on areas of genuine differentiation – sales, marketing, distribution, service innovation and customer care.

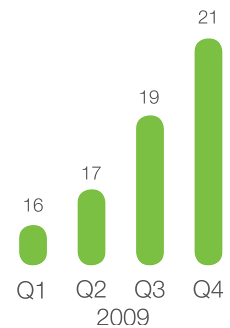
One significant conclusion was that, in certain markets, owning passive infrastructure no longer confers a competitive advantage and that it makes sense, where possible, to share tower networks with other operators that have similar coverage to ours.

We signed our first tower company agreement, in Ghana, just after the year end. We received cash upfront for the towers and through the agreement our opex and future capex are reduced and we gain a share in the future growth of the tower business. We will be looking to create similar vehicles elsewhere in the year ahead, as we continue to seek innovative ways to improve our efficiency.

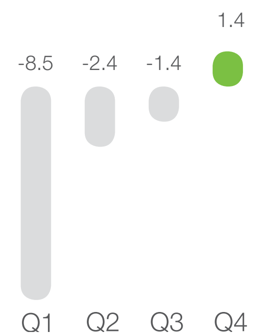
## Ensuring our Services are Easy to Buy and Use

If we want to grow our business and take market share, our services need to be more easily attainable and more user-friendly than those of our competitors. That means having best-in-class distribution, appealing services packaged for "small pockets", a brand that our customers identify with, and a robust and extensive network. We made progress on all these fronts during 2009.

**VAS**
as % of recurring revenues




**ARPU**
Growth in local currency Q on Q
%



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Overview

**Accessibility through distribution**
We take our distribution platform as seriously as any fast-moving consumer goods business. Our services need to be on sale where our customers live and work, our inventory levels needs to be maintained and we need to ensure our agents have the spare working capital to replenish their stock of airtime, otherwise we risk losing customers and revenues.

We have been deploying our Distribution Management System ("DMS") across all of our markets to improve the reach and consistency of our distribution network. DMS is a very powerful tool that enables us to enhance sales and improve margins, by maximising customers' accessibility to our services and strengthening our ability to control our supply chain. Over the last year, we have commenced or further developed DMS in eight countries.

One further big step forward in distribution has been the rapid growth of ePIN within our recharge mix. ePIN, our electronic top-up platform, makes the distribution of airtime much more simpler for our distributors, reduces costs, and is a much more convenient solution for our customers.

**Affordability of services**
We continue to work hard on improving affordability for our customers, who often live on just a few dollars a day. We pioneered per second billing, and lower denomination recharges, which put our services within the reach of a much wider audience.

Our major innovation over the last couple of years has been in services such as SMS Gift and Collect, and the Give Me Balance products.

These are services that allow customers to share their airtime with each other so that they can stay in touch even when one of them has run out of balance.

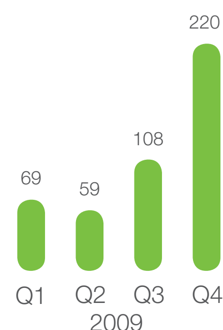
We further enhanced this with a service called Tigo Lends You, through which we "lend" airtime to selected customers who have run out of airtime and can't get to a point of sale. We then recoup the value of the airtime loaned when the customer next tops up with a very low default rate. This is a great example of building a relationship of trust with customers which earns their loyalty over time.

**Improving network quality**
We have made substantial investments in our network infrastructure over the last few years and 2009 was no different. We invested $737 million, or around 22% of revenues, in further network capacity and coverage. In Africa, where penetration is still low and coverage remains focused predominantly on urban areas, capex was 51% of revenues.

Our focus this year has been more on improving capacity and reliability in our existing areas than on extending our coverage. Over the last two years we have also added 3G capability to our network in Latin America, providing our customers with high speed internet access via their mobile phones and laptops. So now they can access the internet as well as their friends and family.

**22%**
of revenues invested in capex

**Free Cash Flow**
US$m



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"Innovation will become ever more important to delivering superior growth, especially as core voice services will become commoditized over time."
Mikael Grahne, CEO

Overview

In Colombia in 2009 we embarked on a new strategy, based on a well-executed and award-winning advertising campaign and a major marketing push on the streets, to demonstrate Tigo's excellent coverage and to raise brand awareness. Through the TV campaign and the distribution by our salesforce of free minutes to people to trial the service, we have very successfully turned around the perception of our coverage and have gained market share. Our financial performance and EBITDA margin have continued to improve, in no small part as a result of these actions.

## Outlook

Looking ahead, I expect 2010 to present similar challenges and opportunities to 2009. We have not seen any material signs of economic recovery in our markets, but our business is now set up to operate in the current environment, and we have demonstrated, over the last 12 months, that we can combine strong market share growth with improving profitability and strong cash flow.

We are well placed to consolidate and even improve on our number one and two positions in our markets. Competition is a constant challenge, but we have generally coped with it well and expect to continue to do so.

Innovation will become ever more important to delivering superior growth, especially as core voice services will become commoditized over time. By the end of 2010, we will see some of the first fruits of our new innovation teams' efforts come to market with new and exciting services. Further business innovations, through outsourcing more passive infrastructure, are also in the pipeline.

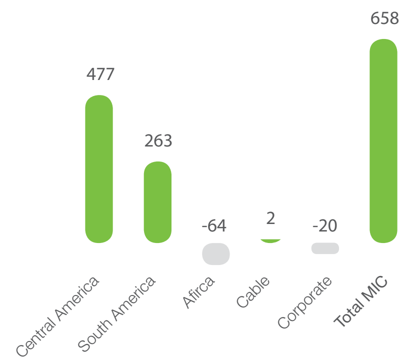
We will continue to make Tigo services more attainable for as many potential customers as we can. The roll-out of DMS has been a great success, and enhancements already being introduced in some countries can be cross-fertilized around the Group for the benefit of all. Our pioneering prepaid pricing packages for 3G data mean that internet access is no longer the preserve of the privileged few, and this should be an exciting area of growth for us.

Finally, our financial guidance is in line with that of 2009. We expect to maintain EBITDA margins in the mid-40s, and operating free cash flow in the mid-teens, as a percentage of revenues. Capex is likely to be around $700 million.

Investors often ask me what makes Millicom different from our competitors, and I tell them that our greatest asset is our people. Tough years like the last one are a great opportunity for companies to appraise how they manage and develop their people, and we have made talent management absolutely central to our successful progress in the years ahead. We believe we are well set for 2010 and look forward to its challenges with confidence.

**Mikael Grahne**
Chief Executive Officer

**OFCF for 2009 by Operation**
US$m




4million
people given individual training in VAS across Latin America in 2009

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**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.

**Francois-Xavier Roger**
Chief Financial Officer

François-Xavier Roger joined Millicom in September 2008 from Groupe 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 Masters 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 Masters degree in Business Management from EDAN in Asunción, Paraguay.

**Carel Maasland**
Chief Tigo People/Global Head of Human Resources

Carel Maasland joined Millicom in March 2009 as Chief Tigo People /Global Head of Human Resources. He started his career as a management consultant, working in the Netherlands and within Central and Eastern Europe. From 2002 he was an HR director at IKEA, initially for the Dutch operations. He then went on to hold a global HR role based at the Corporate Centre in Sweden. Prior to joining Millicom he was responsible for HR for IKEA's emerging operations in Russia & the C.I.S. region. He holds an HR Masters degree from the Erasmus – Rotterdam School of Management.

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# Communication

## Insight
Many customers at the bottom of the pyramid have little money from day to day, but still want to make calls, send SMS and get value for money.

## Solution
We introduced 'Paquetigos', bundles of calls, SMS or internet surfing, giving customers the potential for discounted calls for a fixed price within certain time periods.

## Promotion
We used a USSD menu on customers' handsets to target offers to specific segments of the market based on their historical usage patterns. Customers only need to send an SMS to a short code or dial *111# to make their selection.

## Results
Customers who use Paquetigos not only increase their overall usage but also have 8% higher ARPU than before. In addition, it allows us to balance out our network capacity by offering these packages during off-peak hours.

**Weighted average mobile penetration in our markets:**

**46%**

**$0.20**

**Priced from $0.20 for 5 minutes to $0.90 for 30 minutes per day* for on-net calls: a bundle for every pocket**

**25%**

**daily average revenue increase due to Paquetigos***

**8%**

**higher ARPUs with Paquetigos**

***in Colombia**

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# Information

### Insight

People want access to the internet but their phones aren't configured properly and it is complex to install the settings manually or over the air. This technical problem is a major barrier to more widespread GPRS usage.

**2.3%**
**of revenues from 3G data in Latin America**

### Solution

In Bolivia and Ghana, we introduced Default APN services. Just by inserting a Tigo SIM card into a phone, a customer would ensure the right settings for using GPRS to access the internet on the Tigo network, even if the phone had no settings or the wrong settings previously, as the network assigns the web default APN.

**SIMple!**

### Results

In Bolivia, penetration of GPRS usage rose from 7% in April 2009 to 32% by December, with revenues tripling over that period. In Ghana, daily usage of GPRS increased from 10,000 to 75,000 customers.

**+68%**
**Revenue for June 2009 was 68% higher than the average monthly revenue for January to May in Ghana, following the introduction of Default APN Services**

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# Entertainment

## Insight
Ring Back Tones (RBT), the pre-selected tones a caller hears when making a call instead of a dial tone, have been one of our most successful value-added services, but customers need easy ways to keep them updated and copy tunes they hear on their friends' phones.

**35%** of customers in Guatemala use Ring Back Tones

## Solution
In Tanzania, we introduced RBT Star Copy to make it easy to copy tunes and subscribe to RBT. Customers just press * on their keypads when they hear a Ring Back Tone they like.

**20%** of VAS revenue in Bolivia from Ring Back Tones

## Promotion
RBT Star Copy is a highly effective form of viral marketing, with existing RBT customers effectively showcasing the service to their friends and family.

## Results
Within a year of launch, RBT Star Copy was driving over 50% of all song downloads for RBT and over 75% of all new subscriptions to the service.

**50%** of all song downloads driven by RBT Star Copy in Tanzania

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# Solutions

## Insight

Taxi Libres, a major cab firm in Bogota, came to us looking for a platform that allowed them to manage their fleet of cars, allowing efficient job allocation and improving security.

## Solution

Using GPS, GPRS and EDGE platforms, Tigo developed a tailored solution for Taxi Libres: the control center can track all of its vehicles, monitoring their location and alarm activations, and directing them to the nearest pick-ups; the taxis all have their own terminals, giving them full GPS mapping and showing where jobs are located.

**Leveraging high quality network and strong brand perception**

## Results

18 months after launch, over 2,000 data SIMs are deployed in the firm's cabs, as a result of working closely with a corporate customer and meeting their needs.

**Superior customer insight enabling tailor-made solutions**

# Central America

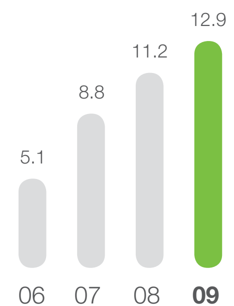
We operate mobile networks in three countries in Central America: Guatemala, Honduras and El Salvador. We are number one in all three markets, with strong market shares reflected in the highest regional EBITDA margin for the Group.

## Financial Highlights

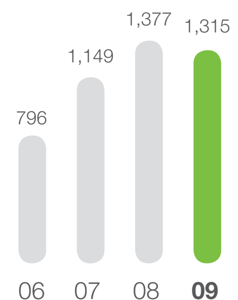
Year ended December 31, 2009

| US$m unless otherwise stated | 2009 $m | 2008 $m | % change |
|---|---|---|---|
| **Customers (m)** | **12.9** | 11.2 | 15 |
| **Revenues** | **1,315** | 1,377 | -5 |
| **EBITDA** | **731** | 759 | -4 |
| **EBITDA margin (%)** | **55.6** | 55.1 | 0.5pp |
| **Capex** | **111** | 294 | -62 |
| **ARPU ($)** | **13.3** | 16.7 | -20 |

**Customers**
m




**Revenue**
US$m



tigo

## 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.

### Financials
Customer numbers were up 15% year-on-year to 12.9 million. We increased our customer base in all three markets, with Guatemala showing the strongest performance. Revenues fell 5% to $1,315 million, as ARPU declines more than offset the growth in the customer base. Constant currency revenue was 1.7% down on 2008, and adjusting for new taxes and interconnect changes during the year, like-for-like revenues were up 0.8%.

EBITDA fell 4% as a result of the decline in revenues. We maintained a strong EBITDA margin, which was up year-on-year at 55.6%. Our margin in Central America benefits from our scale in each country and the high proportion of on-net calls. In 2009, we also benefited from a slightly more benign competitive environment overall, with handset subsidies declining.

Capex, at $111 million, was down 62% year-on-year and stood at 8% of revenues. This decline is a consequence of the significant investments made in prior years, and the slower rate of consumption growth in 2009. Cash generation continued to be very good, with OFCF at $477 million or 36% of revenues.

### Market and Regulation
Central America was a tough market in 2009. These are our most highly penetrated markets, and they also suffered materially from the global financial crisis, with disposable incomes severely impacted by the decline in cash remittances from expatriate workers in the US. These cash remittances represent 15–20% of GDP across our three markets, and fell over 10% year-on-year. In addition, local currencies in Guatemala and Honduras were weak against the dollar, creating further pressure on reported financial performance.

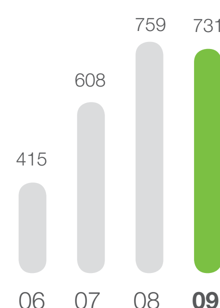
The regulatory environment worsened, with rises in taxes and changes to interconnect regimes that affected revenues and profitability. In El Salvador, a new tax was introduced right at the end of the year applying a 13% VAT rate to incoming international calls. This is in addition to a $0.04 per minute charge on these calls introduced in 2008. As a result, we saw an 18% decline in these revenues in 2009. Although there was no change to interconnect regulation in El Salvador, operators reached a multilateral agreement to reduce interconnect charges towards the end of the year.

In Honduras, a similar tax on inbound international calls was re-introduced in 2009. Interconnection on local calls was also reduced, from $0.10 to $0.06, resulting in $13.4 million of lost revenue.

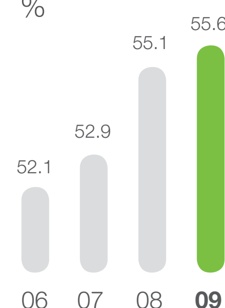
Competition continued to be aggressive, particularly in Honduras, where the average prepaid price per minute nearly halved during 2009. However, we grew our market share across the region over the year and outperformed all of our competitors in revenue growth and profitability. We were particularly pleased with our ability to stabilize market share in Honduras, after the initial impact of a new entrant towards the end of 2008.

### 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. For example, we introduced packages to meet the needs of customers who make or receive a high level of international calls, and

**EBITDA**
US$m




**EBITDA Margin**
%



packages for young people who make a lot of calls and send SMS in the evening.

In addition, we began to market 3G more aggressively, to address the latent demand for internet access. In Guatemala, we introduced 3G data plans bundled with laptops at the high end, but also the first data plan for 3G users at the bottom of the pyramid – offering simple daily and hourly plans.

We continued to use SMS as a highly cost-effective distribution platform for value-added services, and in Honduras we introduced new services such as 'Mobile Agriculture Information', bringing up-to-date crop prices to rural communities, and 'Insurance via SMS', allowing customers to buy insurance products via their handsets. We expect financial services to be a major growth area going forward.

Innovation can also help maximize the potential of existing services, as our Guatemala operations achieved with Ring Back Tones. Having introduced the service in 2007, we developed it significantly in 2009 by teaming up with well known musicians, having regular promotions and developing new platform features. This generated an incremental $3.5 million in revenues and took ringback tone penetration in Guatemala to 35%.

Overall, VAS revenues in Central America were up 37% year-on-year, and represented 22% of recurring mobile revenues over the period.

## Brand and Distribution

During 2009 we developed an increasingly sophisticated approach to branding as we now seek to associate the Tigo brand with popular activities that attract our target customers. Football and music have therefore become the key areas for our promotional presence.

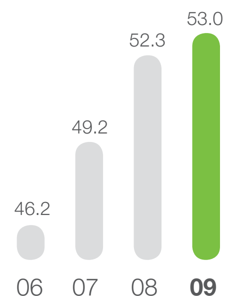
In Honduras, we provided sponsorship to several teams in the national league, with below-the-line activities targeting their fans. This also tied in with our Honduran CSR strategy, where we are encouraging fitness and have invested in new sports fields. In Guatemala, promotions were focused around music and football, and we developed VAS dedicated to soccer content. In El Salvador, Tigo is now becoming famous for its Christmas promotion, and this year we staged a Disney Magic Show, under the promotion "La Magia conTigo", which was our biggest-ever promotion.

DMS was a major focus, with the three markets at quite different stages of implementation. In Honduras, DMS will be introduced in 2010, with the roll-out supported by experts from our operations in Colombia and Bolivia. In El Salvador, we rationalized our distribution structure, moving to exclusive partnerships with dealers, and we made our distribution circuits more efficient, increasing the visits to each point of sale and reducing stock-outs as a result. In Guatemala, DMS was used to great effect to improve the consistency and quality of point of sale material, and to ensure that the local messages correctly supported our campaigns.

Two other key features of our distribution strategy, ePIN and our direct salesforces, also showed excellent progress. In Guatemala, ePIN penetration rose from

**37%**
growth in VAS revenues in Central America

**Market Share**
%



Cost and efficiency was, as always, a major focus, particularly in 2009 as we sought to maintain profitability in the light of a weak economic environment and increasing taxes.

29% in 2008 to 65% by the end of 2009. In El Salvador, the contribution of the direct salesforce increased from 9% to 17% of total gross connections, and we successfully introduced a specialist 3G datacard salesforce.

Cost and efficiency was, as always, a major focus, particularly in 2009 as we sought to maintain profitability in the light of a weak economic environment and increasing taxes. Within distribution, we made important changes to our dealer commission structure across all of our Central American markets. In some cases the headline commission rate was reduced, and in others we realigned commissions to ARPU rather than recharges, so we now more closely reward our partners for the quality of customers.

## Operations

After the significant coverage expansion of the last few years, and the deployment of 3G in 2008, 2009 was a year of improving capacity, quality and efficiency in the network. Wherever possible, network equipment was tendered for on a regional basis. In some instances, we also succeeded in renegotiating existing contracts.

We further extended our tower-sharing agreements, with some level of site sharing now taking place in all three of our Central American markets. In Guatemala, we found cheaper sites, such as rooftops, and invested in line extensions to connect more of our towers to the electricity grid, thus reducing our diesel costs. Between November 2008 and November 2009, monthly diesel consumption fell from 162 thousand gallons to 62 thousand gallons, and only 5% of sites are now off-grid.

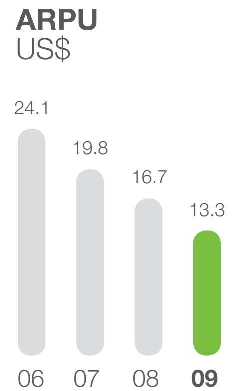
Throughout the business, we renegotiated opex contracts, reduced handset inventories and working capital, and introduced new purchasing processes to ensure that we remained the lowest cost operator while still being able to offer good value to customers and generate strong margins.

## People

Our investment in people remained a priority in 2009. During the year, we focused on identifying and developing internal candidates for succession planning within each business, to support the Group's overall business continuity program.

Throughout the region, we provided extensive training on both technical skills and "soft" skills such as communication, leadership and teamwork. Our efforts to make Tigo an even better place to work and to raise its profile as an attractive employer were rewarded, as we attracted new talent from the likes of Coca Cola, Kraft, Unilever and Procter & Gamble. In Guatemala, we launched our Tigo Ambassadors program, which prepares employees to become Tigo brand representatives so that they become experts in our brand, our services and our culture for all their friends and family.

To give some context to our level of commitment to developing our employees, in El Salvador there was a total of 31,000 man hours of training in 2009, equivalent to 40 hours per person.



# South America

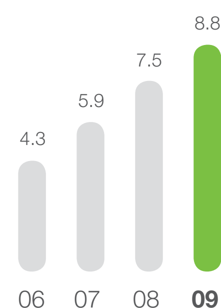
We operate mobile networks in three countries in South America: Bolivia, Colombia and Paraguay. We are the number one operator in Paraguay, the number two in Bolivia, and the number three in Colombia.

## Financial Highlights

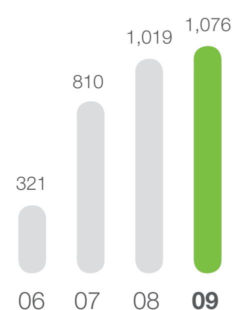
Year ended December 31, 2009

| US$m unless otherwise stated | 2009 $m | 2008 $m | % change |
|---|---|---|---|
| **Customers (m)** | **8.8** | 7.5 | 18 |
| **Revenues** | **1,076** | 1,019 | 6 |
| **EBITDA** | **439** | 352 | 25 |
| **EBITDA margin (%)** | **40.8** | 34.5 | 6.3pp |
| **Capex** | **163** | 369 | -56 |
| **ARPU ($)** | **11.0** | 12.7 | -13 |

**Customers**
m




**Revenue**
US$m



tigo

# Our focus has been on pushing new services and repackaging existing services in innovative ways.

## Financials

Customer numbers were up 18% year-on-year to 8.8 million. Although Colombia and Paraguay have high voice penetration, we continued to grow our customer base through some market growth and market share gains. Bolivia has quite low penetration compared to many markets in South America, at a little over 50%, so there is still scope for good penetration growth. Revenues were up 6% to $1,076 million, or up 15% on a constant currency basis. Bolivia grew the most rapidly, from a lower base.

The EBITDA margin improved 6.3 percentage points year-on-year to 40.8%. This was mainly driven by Colombia, where we are now achieving some operational leverage as revenue growth picks up. Margins in Bolivia made some progress too.

Capex, at $163 million, was down 56% year-on-year and stood at 15% of revenues. This decline is a consequence of the significant investments made in prior years, and the slower rate of consumption growth in 2009. Cash generation improved significantly year-on-year, with the rise in EBITDA combining with lower capex to produce OFCF at $263 million or 24% of revenues.

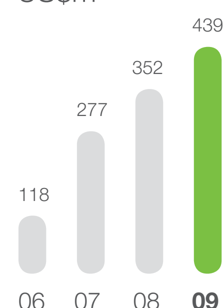
## Market and Regulation

The macroeconomic environment in South America was difficult, as elsewhere in the Group, but our customers appeared to be more resilient. Although consumption declined in Paraguay, it held up well in Bolivia and Colombia, indicating that mobile telephony is becoming more of a basic need than a discretionary item, and highlighting our success in packaging affordable services for "small pockets".

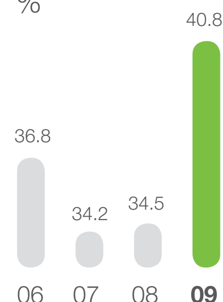
2009 was a relatively benign year for South America from a tax and regulation standpoint. In Bolivia, a law was passed requiring operators to register all mobile handsets and phone numbers, which we are now undertaking. In Colombia, the regulator designated our competitor Comcel as having "significant market power", and introduced controls on their cross-network tariffs. However, we have not seen any change in customer behaviour since these changes. In Paraguay, data transmission and internet access were deregulated, breaking the monopoly of Copaco, the PTT, and enabling Tigo to purchase bandwidth from international providers.

There were no new entrants in any of our South American markets in 2009, although Copaco is expected to launch a new mobile service in Paraguay in 2010. Overall, the competitive environment has been relatively stable.

**EBITDA**
US$m




**EBITDA Margin**
%



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## Innovation

Innovation has been a very strong driver of growth in the region over the last 12 months. Our focus has been on pushing new services, and repackaging existing services in innovative ways.

One of the strongest initiatives of 2009 was the introduction of trainers onto the streets, particularly in Colombia and Bolivia, who specialize in configuring customers' phones for value-added services, and demonstrating how to use those services. For customers new to mobile phones, even sending an SMS can be a hurdle, but the evidence shows that once customers become proficient in texting, they typically graduate to other VAS as well. This means that over the customer lifetime, the payback on a short training and configuration session is very high indeed.

In the same vein, our Bolivian business introduced a product called "Default APN" in April 2009. It allows users to access the internet without needing their handset configured. As a result of this improved accessibility, GPRS penetration rose from 7% to 32% of all customers by the end of the year.

We have also led the way in product innovation through the promotion of "Paquetigos" and the use of a dedicated phone menu to offer tailored services to customers. Paquetigos are bundles of minutes (on-net, cross-net, or international) or data for a set time period which can be purchased via SMS. The USSD promotions menu enables us to target promotions at specific customer segments very cost effectively, and is a great tool for customer loyalty and ARPU enhancement.

In Paraguay, we have had great success with the 'Tigo Lends You' product, with over 40% penetration in just five months of service.

Customers "borrow" airtime from Tigo five times a month on average, but only qualify for the service once they have been active for six months.

3G internet access has been a key focus across all our South American operations over the last 12 months, with laptop bundles, coverage demonstrations and affordable bundles all being used to drive adoption and establish Tigo as the clear leader in 3G.

## Brand and Distribution

This year we tackled one of the major obstacles to our growth in Colombia, the strong perception that Tigo had a poor quality network with limited coverage.

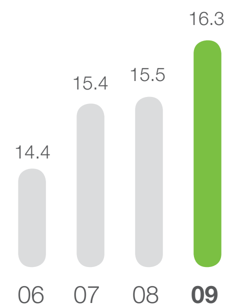
Combining a direct marketing campaign, with freelancers giving people free minutes on the street so that they could test our coverage, and a very strong above-the-line advertising campaign featuring one of the most well-known and trusted TV presenters in Colombia, we successfully changed the perception of our network. The campaign was awarded two "Effies" (the leading advertising awards in Colombia), including the best campaign across all categories, and Campaign of the Year by P&M magazine, taking 63% of the votes cast. It even made the top 10 campaigns across all of Latin America and Spain, according to Adlatina magazine.

**$263m**

OFCF of $263m or 24% of revenues



**Market Share**
%



## Throughout the region, increased capacity and technical improvements led to consistently better network performance in indicators such as network availability and dropped call rates.

On the distribution front, we upgraded our existing DMS platforms in Paraguay and Bolivia, introducing tools for monitoring activations, and allowing better analysis of data by region, handset and dealer. We implemented DMS in Colombia, with excellent results: reloads increased 43% from January to December, and stock availability increased from 80% to 93%.

### Operations

We continued to expand our network coverage in South America, albeit at a slower rate than in recent years. In Bolivia, we still have a number of more remote areas that we can expand into, and we made good progress with this in 2009, with a positive impact on market share. In Colombia, the focus was on improving our coverage in coastal areas.

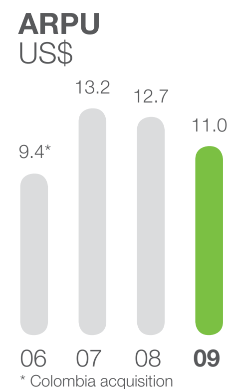
Throughout the region, increased capacity and technical improvements led to consistently better network performance in indicators such as network availability and dropped call rates. We improved efficiency too, with Bolivia commencing deployment of its own backbone to save leased line costs, and Paraguay also looking to replace microwave connections with fiber to avoid spectrum fees. However, we also have to balance quality with cost, and in Paraguay we needed to introduce diesel generators at some key network nodes because of unreliable power supplies.

We saw strong collaboration across the region, with regional tenders for equipment and a weekly conference call between technical chiefs to compare experiences. A second 3G vendor was introduced to bring a more competitive element into the tendering process. In Colombia and Paraguay, tower-sharing agreements are in place with several competitors.

### People

Throughout the region, training was a balance of specialist expertise related to functional responsibilities, general business skills, and continuous education on our internal procedures and Millicom Group policies. For example, under the banner Tigo Talent School, Colombia ran 256 courses during the year and, where possible, used internal trainers to save money and optimize resources.

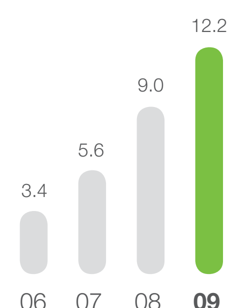
Paraguay continues to have a very strong record in employee engagement, which is closely tied in with its CSR activities. Corporate volunteering is extensive, and the Tigo Hour program, which supports a given charity with an hour's worth of revenue, involves a high degree of employee participation. Paraguay's "Inclusive Tigo" program is focused on providing employment opportunities to people from all backgrounds and abilities.



# Africa

In Africa, we are present in Chad, the Democratic Republic of Congo ("DRC"), Ghana, Mauritius, Senegal and Tanzania. We started operations in Rwanda in December 2009, after being awarded a license in 2008. Generally we are number 2 in these markets, with the exception of Rwanda where we are number 3 and the DRC, where we are present in the Kinshasa/Bas Congo region only, with a number 1 position.

**Customers**
m

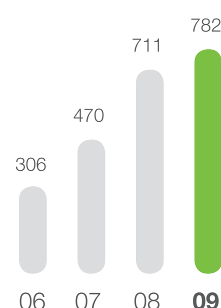



## Financial Highlights

Year ended December 31, 2009

| US$m unless otherwise stated | **2009 $m** | 2008 $m | % change |
|---|---|---|---|
| **Customers (m)** | **12.2** | 9.0 | 35 |
| **Revenues** | **782** | 711 | 10 |
| **EBITDA** | **285** | 238 | 20 |
| **EBITDA margin (%)** | **36.4** | 33.3 | 3.1pp |
| **Capex** | **398** | 601 | -34 |
| **ARPU (US$)** | **6.4** | 8.5 | -25 |

**Revenue**
US$m



tigo

## Our market share growth over the last 12 months is in part down to the improvements we have made to our brand visibility, trade marketing strategies and direct saleforces, as well as the increasing control of our points of sale that DMS gives us.

### Financials

Customer numbers were up 35% year-on-year to 12.2 million. With average voice penetration in our markets in Africa still under 25%, we believe there are attractive long term growth opportunities. Revenues were up 10% to $782 million, or up 24% on a constant currency basis. Chad, the DRC and Tanzania were our highest growth operations. ARPU, at $6.4, is lower than for the rest of the Group, reflecting the lower GDP per capita of these markets.

The EBITDA margin in Africa improved 3.1 percentage points year-on-year to 36.4%. The strong increase reflects our growing scale in each market and the operating leverage we are achieving as a result. We are confident of raising our African EBITDA margin to the Group average over the next two years, as penetration increases and we continue to grow our market share.

Capex, at $398 million, was down 34% year-on-year and stood at 51% of revenues. We still continue to invest heavily in Africa, given the relatively early stage of the penetration curve. Overall we are still witnessing cash outflow in Africa, with outflows at the OFCF level of $64 million, although the rate of outflow has fallen significantly year-on-year and we were cash flow positive in the fourth quarter of 2009.

### Market and Regulation

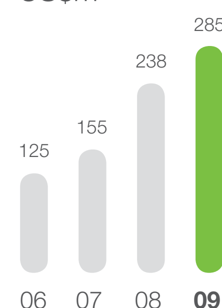
Africa was by no means immune from the effects of the global economic crisis in 2009. Inward investment programs have been put on hold, and the fall in commodity prices has seen the mothballing of some mining projects and put pressure on GDP. In markets like Tanzania, the impact on the important tourism trade has also been felt. Overall, weaker economies have led to lower ARPUs and steadier penetration growth, and we have suffered from significant currency depreciation in Ghana and to a lesser extent in DRC and Tanzania.

From a regulatory perspective, African mobile markets are still in their infancy and changes in taxes and duty occur frequently. During 2009, we witnessed an amendment to the way VAT and excise duties are calculated in Tanzania, with these charges now being levied on gross airtime revenues rather than the wholesale value billed to distributors. In the DRC, excise tax was introduced in April 2009 at 4%, rising to 10% by the end of 2009. Increasingly we are seeing governments introduce requirements for all customers to be registered, with new regulations either in place or imminent in Ghana, the DRC and Tanzania. This is likely to make customer intake volatile over the coming year.

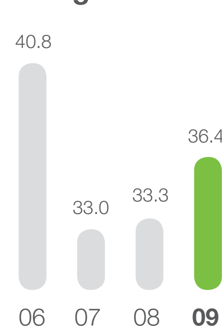
In Senegal, we remain in dispute with the government over the validity of our GSM license. The Senegalese government is demanding an additional payment for our existing license, which we are seeking to resolve through the international arbitration courts in Washington DC. Although we continue to operate in Senegal, we are limiting our level of investment until we reach an agreement.

The competitive environment is varied across our African markets. Our business in Ghana suffered from tough competition in 2009, with the entry of two operators into the market with aggressive promotions. We lost market share as a result, but our share began to stabilize over the last few months of the year and profitability held up well. Elsewhere, we gained share as we benefited from our emerging markets expertise in affordability and distribution.

**EBITDA**
US$m




**EBITDA Margin**



## Innovation

The African operations are still mainly focused on increasing the appetite for voice and SMS services, with the penetration of other VAS still relatively low. However, voice and SMS still present opportunities for innovation in the way that they are packaged, and most of our African businesses have developed targeted bundles that stimulate ARPU and usage.

In Ghana, the DRC and Senegal, there are variations on a similar product – discounted calls to one or two other Tigo numbers for a subscription fee – that have all been marketed successfully. In Tanzania, the Xtreme SMS package, offering unlimited on-net SMS for a daily or monthly fee, has been a great driver of SMS revenue.

Ringback tones are gaining traction in Africa too. In Chad, Ring Back Tones were launched in September 2009 and already, 35,000 customers have used the service. In Tanzania, where Ring Back Tones have been widely adopted, the team introduced RBT star copy – which allows customers to copy Ring Back Tones that they hear on their friends' phones – and over 75% of new subscriptions to the service are via this viral route. Tanzania generated around $3 million from Ring Back Tones in 2009.

Demand for data and internet access is just beginning to become evident too. In Chad, we introduced EDGE data modems, and in Ghana we developed APN default set-up, allowing customers with unconfigured phones easy access to GPRS services via their Tigo SIM. This new feature alone grew our GPRS customer base from 10,000 to 75,000.

We are also being highly innovative in our use of SMS to mimic internet services. In Ghana, we introduced Facebook SMS, which enables our customers to receive and send SMS updates whenever friends change their status on Facebook. Similarly in Senegal, we provide a version of MSN Messenger via SMS.

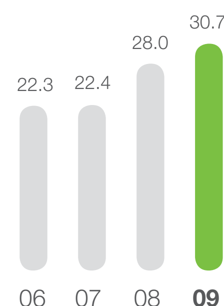
## Brand and Distribution

Brand development in Africa is still at a relatively early stage, with Tigo not yet as established as it is in Latin America. However, our market share growth over the last 12 months is in part down to the improvements we have made to our brand visibility, trade marketing strategies and direct saleforces, as well as the increasing control of our points of sale that DMS gives us.

In Ghana, where our brand is well known, we now have a dedicated trade marketing function whose role is to plan our visibility in the market with the assistance of the trade marketing team and ensure we deploy our budget most effectively. In our younger markets, such as Chad and the DRC, we are still focused on increasing our basic visibility – in Chad we painted over 2,000 square metres of walls with the Tigo logo, and sponsored the taxis in the capital city. In the DRC we deployed a further 3,000 point of sale tables and 5,000 parasols.

DMS is also at quite different stages of implementation, with Chad and the DRC making their first deployments in their respective capital city areas during 2009. In Tanzania, the focus was on training our employees in the use of DMS to maximize its value to the business. In Ghana it has been used highly effectively to promote ePIN penetration.

**Market Share**
%



# We have become increasingly adept at managing our existing assets to maximise production and efficiency.

Direct salesforces are becoming an increasingly material element of the sales mix across Africa, with our efforts improving in both quality and quantity. In Tanzania, we have opened regional sales offices in major towns, which we use to monitor and train the local salesforces.

In Ghana, our direct activities now account for 44% of all airtime sales, up from 15% a year ago, and in Chad we have grown our salesforce from 50 people to 350 over the last year.

## Operations

As with our operations in Latin America, we focused our network investment in 2009 on increasing our network capacity and improving the quality of service in existing areas. There is still scope for 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 have become increasingly adept at managing our existing assets to maximize productivity and efficiency, and in a number of markets we redeployed under-utilized base stations into busier parts of the network. This was particularly evident in the DRC, where we relocated 200 base stations from the East of the country to the heavily-populated Kinshasa/ Bas Congo region, with excellent financial results.

Elsewhere we continued to develop tower-sharing relationships on a small scale, and began to investigate more strategic partnerships to outsource our passive infrastructure. In January 2010, we reached an agreement in Ghana to create a new tower company, in which we hold a minority interest, to manage all of our tower infrastructure requirements. We received cash upfront for our towers and the agreement will produce capex and opex savings.

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

As our brand is less well established in Africa than in Latin America, we have to work harder on the recruitment and retention of employees. To address this, we offer student internships to attract high quality graduates, and engage in a number of employer branding activities to highlight the benefits of a career with Tigo.

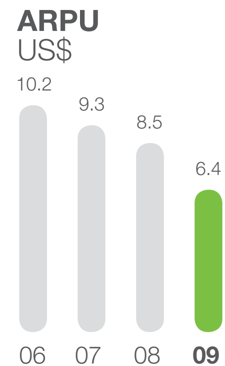
We are also dedicated to developing our people in Africa, and have put in place exchange programs with other operations within the Group to transfer and share knowledge. Where possible, we have promoted internally, and we rotate jobs to give people the widest possible view of our operations and the best possible career development opportunities.

**$398m**

Capex of $398m or 51% of revenues



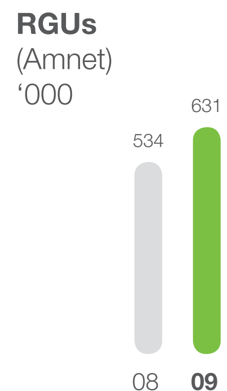
**ARPU**
US$



# Cable

We acquired Amnet, our Central American cable operation providing pay TV, fixed line, residential broadband internet and corporate services, towards the end of 2008. In the first half of 2009, we acquired the minority interests in Navega, our fiber optic backbone business in the same geographical area. Navega provides transmission services to Millicom Group businesses and third parties.

**RGUs**
(Amnet)
'000

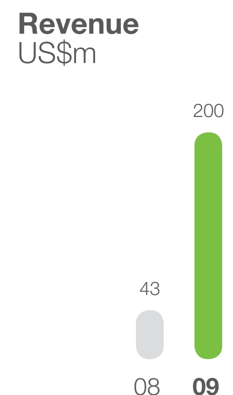



## Financial Highlights

Year ended December 31, 2009

| US$m unless otherwise stated | 2009 $m | 2008* $m |
|---|---|---|
| **RGUs (Amnet) ('000)** | **631** | 534 |
| **Revenues** | **200** | 43 |
| **EBITDA** | **91** | 18 |
| **EBITDA margin (%)** | **45.6** | 42.0 |
| **Capex** | **65** | 12 |

**Revenue**
US$m




* from October 1, 2008

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## The latent demand for internet access is very substantial, and customers will increasingly want access at home as well as on the move.

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

Our combined cable operations generated $200 million of revenues in 2009, and in the fourth quarter (the only comparable period of ownership), revenues at Amnet were up 9% year-on-year – making it comfortably our fastest growing business in Central America. On a pro forma basis, residential broadband revenues rose 24% year-on-year. Given the tough economic environment, this demonstrates the growth opportunity that broadband presents.

Margins for our cable business were 46%, and cash generation is improving.

Our network already passes over 1.3 million homes, our penetration of which increased significantly during the year, with around 37% taking a service from Amnet by the end of 2009.

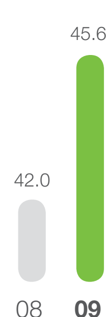
Revenue generating units ("RGUs'), the number of different services subscribed for, rose 18% year-on-year to 631,000.

During the year, we concentrated on integrating Amnet into the Tigo structure and culture, with a full rebranding in El Salvador and the beginnings of a transformation from a technical and platform-led business, to a customer-facing and marketing operation.

Our plans for the coming year are to increase the customer base by marketing to households which our network already reaches, and improve our ratio of services per customer (currently at just over 1.3) by up-selling additional services into the existing base of pay TV customers.

**EBITDA**
US$m

**EBITDA Margin**
%



# Board of Directors

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### Daniel Johannesson (born 1943)

**Non-Executive Chairman**

**Chairman of the Compensation and Nomination Committees and member of the Audit Committee since February 2009**

Daniel Johannesson was elected to the Board of Millicom in May 2003. He became Chairman on March 8, 2004. 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. He is also Chairman of Unibet Group PLC.

### 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 in 2007. From August 2006, Mia 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. Mia joined Kinnevik owned company Modern Times Group MTG AB in 1992, and was appointed CFO in 2001. As CFO, Mia played a central role in MTG's development. Currently, Mia 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 CSR Committee**

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 Societe Generale 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. She was named Executive Vice President of Corporate Finance and Treasury for Tele2AB in March 2007 and was named Market Area Director and CEO for Russia for Tele2AB in March 2008.

### Kent Atkinson (born 1945)

**Non-Executive Director**

**Member of the Audit and Compensation Committees**

Kent Atkinson was elected to the Board of Millicom in May 2007. Previously, Kent was employed by the Bank of London and South America (later acquired by Lloyds Bank) and held a number of senior managerial positions in Latin America and the Middle East before returning to the UK. He was Regional Executive Director for Lloyds TSB's South East Region until he joined the main board as Group Finance Director, a position he held for eight years until his retirement as an executive. He remained on the Lloyds TSB board for a further year as a non-Executive Director. Kent is the Senior Independent Director and Chairman of the Audit Committee of Coca-Cola HBC SA. He is a non-Executive Director and Chairman of the Group Audit, Risk and Compliance Committee of Standard Life plc, and a member of Standard Life's Investment Committee. Kent is also a non-Executive Director of Gemalto NV, a member of its Audit Committee and its Strategy and M&A Committee, and he is also a non-Executive Director and Chairman of the Audit Committee of Northern Rock plc and a member of Northern Rock's Risk Committee.

**Michel Massart (born 1951)**
**Non-Executive Director**
**Chairman of the Audit Committee and Member of the Nomination 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.

**Paul Donovan (born 1958)**
**Non-Executive Director**
**Member of the Audit Committee**
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. 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 from 2004, he oversaw 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.

**Allen Sangines-Krause (born 1959)**
**Non-Executive Director**
**Member of the Nomination Committee since February 2009**
Allen Sangines-Krause was elected to the Board of Millicom in May 2008. 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.

# Corporate and Social Responsibility

Millicom's CSR strategy is currently undergoing a full review with a view to launching a new website during 2010 and publishing a first, dedicated CSR report by the end of the year. As a result, this brief section covers our structure for CSR, our high level Group policies, and a flavor of the many local projects that we have initiated or continued during 2009.

## Corporate Governance and Resources

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, the Group President and CEO, and Peregrine Riviere, Group Head of External Communications, in attendance. The Committee meets several times a year to approve projects and budgets, and over the latter half of 2009 has been steering the progress of the CSR review.

The Group Head of External Communications 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 the Group Head of External Communications, who gives advice on suitable projects and stimulates the sharing of best practice across the Group.

## Customers

Our objective is to make mobile communication accessible and affordable to people at the bottom of the pyramid. Thus our core service brings an undisputed social benefit to customers in developing markets. Furthermore, studies have proven that increasing mobile phone penetration enhances economic development, meaning that mobile technology provides substantive benefits beyond simple communication and access to information.

During the year, average penetration across our markets increased from 41.0% to 45.5%. We continued to gain market share, with our focus on affordability meaning that even the poorest people in remote communities can access our services. Our network continued to spread, too, as we increased our number of cell sites by 12%, and we launched in Rwanda, a market which previously suffered from low penetration and a lack of compelling offers for customers.

## Governments and Regulators

Since its foundation, Millicom has always observed the highest standards of business ethics and integrity, and this commitment is evident in our Code of Ethics, which is published on our website at www.millicom.com. Our strong market positions and significant customer bases in each country give us leverage to encourage fair legislation and the correct application of telecommunications regulation, to the benefit of customers.

As a NASDAQ listed company, Millicom complies with the US Foreign Corrupt Practices Act, which prohibits payments to foreign officials for the purpose of obtaining or keeping business, and requires compliance with its accounting provisions, including the keeping of records that accurately reflect all transactions and the maintenance of an adequate system of internal controls.

Millicom also adheres to the standards and requirements for foreign private issuers of the Sarbanes-Oxley Act of 2002, which legislates for corporate governance, financial disclosure and the practice of public accounting in the interest of equity investors.

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## Suppliers

Our intention is to work only with suppliers, subcontractors and other third parties who share our responsible business practices, as stated in our Supplier Code of Conduct which was revised in 2008.

During 2009 we made it a requirement for our major suppliers across the Group to sign this Code of Conduct, and at the year end, 19 out of our top 20 suppliers had complied. In addition, we are seeking to educate our suppliers through CSR seminars and workshops, so we can share our goals more clearly with them.

## Social Issues

We believe that the major social issues in our markets relate to health, education and the environment. The factors which tend to perpetuate these issues are poverty – at both an individual and country level – and a lack of available information.

As part of the review of CSR activities, we intend to introduce flagship projects relating to these issues, which can be implemented in some or all of our markets. However, our markets are all at different stages of development and have a wide range of issues, so much of our focus will remain as it is today – at a grassroots level, tackling specific challenges in local communities. Some examples of these projects are described below.

### Health

Our main focus in Honduras in 2009 was on health and fitness. We provided educational information on the benefits of exercise and we financed the development of a number of playing fields, to give young people access to scarce facilities. This CSR campaign was a good example of a strong alignment with our local commercial strategy, which focused on developing the brand through sponsorship of football teams and events.

In the DRC we ran a Tigo Solidarity Hour. We donated the entire value of the ePIN reloads during this hour to a paediatric hospital. Importantly, we discussed with the hospital exactly what equipment and supplies they needed so that we could meet its specific needs rather than simply make a donation. Tigo Hours are also run very successfully in other countries and can become a template for fundraising across the Group, with proceeds going to local community projects.

### Education

In Rwanda, where we launched our services towards the end of 2009, we are participating in the government's "One Laptop Per Child" scheme. We are funding the installation of Microsoft and anti-virus software onto specially-designed laptops, and fitting out schools with the appropriate power, cabling and classroom facilities to support the use of laptops.

In Bolivia, we have run a very successful advertising campaign to highlight the dangers of using a mobile phone while driving. We believe it is particularly important to publicize issues which directly relate to our own industry, where we have an additional responsibility to educate customers. This campaign is now set to be taken into other Latin American markets.

### Environment

As markets develop, electronic waste will increasingly become a problem, as people change and upgrade their mobile phones. In Colombia, 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. Up to the end of June 2009, Tigo in Colombia had delivered 700kg of phones and accessories to a specialist company for recycling.

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In Chad, the major environmental problem is deforestation, as timber has traditionally been used to make charcoal as fuel for cooking and heating. This has led to a major reduction in forest area and increasing desertification, meaning an ever-decreasing area is fit for cultivation. The Government has implemented a tree-planting scheme and Tigo Chad is a major supporter of this initiative, planting and irrigating 1,000 trees in 2009, with plans to continue the commitment in 2010.

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. Based on our 2009 submission, we set a target to reduce carbon emissions per site by 50% by 2020.

**Village Savings and Loans Scheme ("VSL")**

Our single biggest new project for 2009 was the sponsorship of a VSL scheme in Dodoma region, Tanzania. With little or no access to savings or loans facilities, financial planning is extremely difficult for many in developing markets. A VSL scheme brings together a village group, typically of 30 people, who meet weekly to save money in a cash box. Members of the group can then apply for loans from the cash float, which are voted on by the group, and which attract interest.

The schemes allow participants to save money safely and to generate an excellent return on their savings (typically well over 100% on an annualized basis), while allowing people to borrow to finance business opportunities or big ticket household items which would otherwise be hard to fund.

In 2009 we supported 70 such schemes with nearly 2,000 participants. The beauty of these schemes is that they tend to be self-sustaining once the members understand how they operate. This year we are supporting a further 100 schemes while continuing to monitor and assist the first 70.

## Employees

We aim to recognize and develop individual talent to ensure that our 6,890 employees reach their potential within our organization. Our corporate environment promotes and encourages our staff's continuous professional and personal development, through training in hard and soft skills, team-building and active participation in local community projects. The Tigo Talent School provides our people with a wide range of opportunities for career development and higher education.

We believe we have a particular responsibility as a major employer in many of our markets to foster local talent so that we genuinely support the communities in which we operate. Over 90% of employees in all our markets are local nationals. At the same time, we actively encourage mobility between operations to give our people a wide range of opportunities and to enable us to spread best practice and share experiences effectively. In several markets, executives are committed to mentoring local schoolchildren and university students to help prepare them for work, and we further support this by awarding university scholarships to fund study for disadvantaged students.

## Principal Activities and Background

Millicom is an operator of mobile telephone services in 14 of the world's emerging markets with number 1 or 2 market positions in 11 of these. We also operate cable and broadband businesses in five countries in Central America.

As at December 31, 2009, Millicom had mobile operations in 14 countries in Central America, South America, Africa and Asia. In Central America, our businesses are in El Salvador, Guatemala and Honduras; in South America they are in Bolivia, Colombia and Paraguay and in Africa they are in Chad, the Democratic Republic of Congo, Ghana, Mauritius, Rwanda, Senegal and Tanzania. We also have a business in Laos in Asia, the sale of which was subject to completion as at December 31, 2009. 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. In the first half of 2009 Millicom's joint venture in Guatemala acquired the remaining non-controlling interests in Navega, a fiber-optic backbone company operating in the same geographic area. In addition, in December 2008, Millicom was successful in the tender for the third national mobile license in Rwanda. Services in Rwanda were launched in early December 2009.

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 2009

The Group continued to experience good growth in 2009 despite more challenging market conditions, with the worldwide total customer base increasing by 22% to 33.9 million compared to 27.7 million (excluding divested operations) in 2008. Our revenues from continuing operations for the year were up 7% to $3,373 million. Revenues in Central America decreased by 5% for the year ended December 31, 2009 to $1,315 million. Revenues in South America increased by 6% to $1,076 million and, in Africa, revenues increased by 10% to $782 million. Revenues for our cable business were $200 million, up from $43 million in 2008. Foreign exchange had a positive impact on revenue growth of 3% over the full year 2009, with underlying constant currency revenue growth of 10%, following some currency appreciations against the US$ in the latter part of the year.

Total operating profit for the year ended December 31, 2009 increased by 4% to $851 million from $818 million for the year ended December 31, 2008. Profit from continuing operations increased to $692 million in 2009 from $671 million in 2008, an increase of 3%. The net profit attributable to equity holders of the company for 2009 was $851 million; including a $289 million gain on disposal on the sale of Cambodia, Sri Lanka and Sierra Leone, versus $518 million in 2008.

The Group generated operating free cash flow of $658 million in 2009, equivalent to 20% of revenues, compared to a small outflow in 2008. Cash and cash equivalents increased to $1.5 billion compared to $0.7 billion for 2008. As at December 31, 2009, the Group had total equity of $2.3 billion compared to $1.7 billion as at December 31, 2008.

The Group's consistent performance throughout 2009 demonstrates the strength of our business model and our ability to react quickly to changing market conditions. We have combined market-leading revenue growth with improving margins, rigorous capital discipline and excellent cash generation.

## Operational/Strategic Developments in 2009

On March 2, 2009, Millicom announced that the Board appointed Mikael Grahne to succeed Marc Beuls as President and Chief Executive Officer (CEO). Mikael Grahne had been the Chief Operating Officer of Millicom since February 2002, responsible for the development of Millicom's operational strategies.

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 31 December 2008. Dividend payable as at December 31, 2009 amounted to $135 million (2008: nil). The dividend was paid on January 5, 2010.

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.

## Outlook for the Group in 2010

The outlook for 2010 is positive, despite the fact that the worldwide financial crisis is not yet over. The Group is driving further penetration rates in its markets, primarily in Africa, by continuing to drive down the entry price for its services. Growth in our mobile markets and in the cable business will continue to be fuelled by innovation in VAS, investments in the networks and increased points of sale through innovative distribution channels and techniques. Capex for 2010 is anticipated to be close to $700 million with the spend spread over all businesses and regions and mobile 3G spend starting to become significant in Latin America. Continued high growth in voice in Latin America will be a challenge with the relatively high current mobile penetration rates, but customer growth has been strong so far and there is a growing consumer demand for broadband and VAS which could be the next driver of growth. In Africa, customer and revenue growth are expected to continue in 2010.

This outlook for 2010 does not constitute any commitment from the Company and any guarantee of future performance; actual performance may differ as a result of various factors.

## The Board of Directors

In 2009, the Board had six meetings in person and six by telephone. On two occasions, Board decisions were also taken by circulating written resolutions for signature by all 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

**The Company's Directors are as follows:**

| Name | Position | Independent | Year Elected | Date of Expiration of Term |
|---|---|---|---|---|
| Daniel Johannesson | Chairman | Yes | 2003 | May 2010 |
| Kent Atkinson | Member | Yes | 2007 | May 2010 |
| Mia Brunell Livfors | Member | No | 2007 | May 2010 |
| Donna Cordner | Member | No[1] | 2004 | May 2010 |
| Michel Massart | Member | Yes | 2003 | May 2010 |
| Marten Pieters[2] | Member | Yes | 2008 | May 2009 |
| Allen Sangines-Krause | Member | Yes | 2008 | May 2010 |
| Paul Donovan | Member | Yes | 2009 | May 2010 |

[1] Independent from November 30, 2009.
[2] Up to February 6, 2009.

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 divide the work between the Board and the President and Chief Executive Officer (the "CEO"). The Chairman has discussions with each member of the Board regarding the work procedures and the evaluation of the Board work. The other members of the Board evaluate the work of each other, each year. The Board also evaluates yearly the performance of the CEO. The main task of the Board committees is to work on behalf of the Board within their respective areas of responsibility. From time to time, the Board delegates authority to an ad hoc committee so that it may resolve a specific matter on its own without having to go before the full Board for approval.

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

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

Audit Committee: Millicom's Directors have established an Audit Committee that convenes at least four times a year, comprising three Directors, Mr. Massart (Chairman and financial expert), Mr. Atkinson and, from May 26, 2009, Mr. Donovan. On February 6, 2009, Mr. Pieters resigned from the Audit Committee and was replaced by Mr. Johannesson who served on the Audit Committee until May 26, 2009. 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 eight times during 2009 and Millicom's external auditors participated in each such meeting.

Compensation Committee: Millicom's Compensation Committee is chaired by Mr. Johannesson. Ms. Brunell Livfors and Mr. Atkinson became members of the Committee after the Annual Meeting of Shareholders on May 29, 2007. Ms. Brunell Livfors is a non-independent Director and Mr. Atkinson 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, 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. The Compensation Committee met five times in 2009.

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 Livfors (Chairman) and Ms. Cordner. This committee has responsibility for overseeing and making recommendations to the Board regarding the management of CSR. The CSR Committee met four times in 2009.

Nominations Committee: Millicom's Nominations Committee is chaired by Mr. Johannesson. The two other members are Mr. Massart, who replaced Ms. Cordner on February 13, 2007, and Mr. Sangines-Krause. On February 6, 2009, Mr. Pieters resigned from the Nominations Committee and was replaced by 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. The Nominations Committee met six times in 2009.

## 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 their 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.

# 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, 2009. 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, 2009.

PricewaterhouseCoopers S.à.r.l has issued an unqualified report on our 2009 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 4, 2010

# Report of Independent Registered Public Accounting Firm

To the shareholders of Millicom International Cellular S.A.

In our opinion, the accompanying consolidated balance sheets 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 (together the "MIC Group") at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 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 December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's Board of Directors is responsible for these 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 financial statements. Our responsibility is to express opinions on these 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 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 financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the 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 4, 2010
Réviseur d'entreprises

# Consolidated Income Statements

For the years ended December 31, 2009, 2008 and 2007

| | Notes | 2009 US$ '000 | 2008[i] US$ '000 | 2007[i] US$ '000 |
|---|---|---|---|---|
| Revenues | 9 | **3,372,727** | 3,150,559 | 2,429,082 |
| Cost of sales | | **(1,202,902)** | (1,114,822) | (868,842) |
| **Gross profit** | | **2,169,825** | 2,035,737 | 1,560,240 |
| Sales and marketing | | **(647,009)** | (657,480) | (464,343) |
| General and administrative expenses | | **(606,213)** | (498,597) | (392,286) |
| Other operating expenses | | **(65,580)** | (61,438) | (72,949) |
| **Operating profit** | 9, 10 | **851,023** | 818,222 | 630,662 |
| Interest expense | | **(173,475)** | (135,932) | (180,771) |
| Interest and other financial income | | **11,573** | 32,277 | 55,912 |
| Revaluation of previously held interests | 4 | **32,319** | – | – |
| Other non-operating (expenses) income, net | 12 | **(32,181)** | (52,265) | 9,984 |
| Profit from associates | 17 | **2,329** | 8,706 | 4,400 |
| **Profit before tax from continuing operations** | | **691,588** | 671,008 | 520,187 |
| Charge for taxes | 13 | **(187,998)** | (268,813) | (83,710) |
| **Profit for the year from continuing operations** | | **503,590** | 402,195 | 436,477 |
| Profit for the year from discontinued operations, net of tax | 6 | **300,342** | 2,246 | 274,507 |
| **Net profit for the year** | | **803,932** | 404,441 | 710,984 |
| Attributable to: | | | | |
| Equity holders of the company | | **850,788** | 517,516 | 697,142 |
| Non-controlling interest | | **(46,856)** | (113,075) | 13,842 |
| **Earnings per share for the year** | 14 | | | |
| (expressed in US$ per common share) | | | | |
| **Basic** | | | | |
| – profit from continuing operations attributable to equity holders | | **5.09** | 4.79 | 4.18 |
| – profit from discontinued operations attributable to equity holders | | **2.75** | 0.01 | 2.72 |
| – profit for the year attributable to equity holders | | **7.84** | 4.80 | 6.90 |
| **Diluted** | | | | |
| – profit from continuing operations attributable to equity holders | | **5.08** | 4.76 | 4.07 |
| – profit from discontinued operations attributable to equity holders | | **2.74** | 0.01 | 2.54 |
| – profit for the year attributable to equity holders | | **7.82** | 4.77 | 6.61 |

(i) Comparative information reclassified as a result of the classification of Millicom's operations in Asia (Cambodia, Laos and Sri Lanka) and in Sierra Leone as discontinued operations (see note 6)

Financial Statements

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

# Consolidated Statements of Comprehensive Income

For the years ended December 31, 2009, 2008 and 2007

| | **2009 US$ '000** | 2008 US$ '000 | 2007 US$ '000 |
|---|---|---|---|
| Net profit for the year | **803,932** | 404,441 | 710,984 |
| **Other comprehensive income** | | | |
| Exchange differences on translating foreign operations | **(14,529)** | (54,041) | 38,508 |
| **Total comprehensive income for the year** | **789,403** | 350,400 | 749,492 |
| **Attributable to:** | | | |
| Equity holders of the company | **837,124** | 456,670 | 728,291 |
| Non-controlling interests | **(47,721)** | (106,270) | 21,201 |

Financial Statements

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

# Consolidated Balance Sheets

As of December 31, 2009 and 2008

| | Notes | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets, net | 15 | **1,044,837** | 990,350 |
| Property, plant and equipment, net | 16 | **2,710,641** | 2,787,224 |
| Investments in associates | 17 | **872** | 21,087 |
| Pledged deposits | 18, 26 | **53,333** | 6,172 |
| Deferred taxation | 13 | **19,930** | 14,221 |
| Other non-current assets | | **7,965** | 17,023 |
| **Total non-current assets** | | **3,837,578** | 3,836,077 |
| **Current assets** | | | |
| Inventories | | **46,980** | 58,162 |
| Trade receivables, net | 19 | **224,708** | 257,455 |
| Amounts due from joint venture partners | | **52,590** | 40,228 |
| Prepayments and accrued income | | **65,064** | 82,303 |
| Current income tax assets | | **17,275** | 21,597 |
| Supplier advances for capital expenditure | | **49,165** | 142,369 |
| Other current assets | 20 | **58,159** | 87,859 |
| Time deposit | 21 | **50,061** | – |
| Cash and cash equivalents | 22 | **1,511,162** | 674,195 |
| **Total current assets** | | **2,075,164** | 1,364,168 |
| Assets held for sale | 6 | **78,276** | 20,563 |
| **TOTAL ASSETS** | | **5,991,018** | 5,220,808 |

Financial Statements

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

# Consolidated Balance Sheets

As of December 31, 2009 and 2008

| | Notes | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital and premium | 23 | **660,547** | 642,544 |
| Other reserves | 25 | **(64,930)** | (47,174) |
| Retained profits | | **937,398** | 565,032 |
| Profit for the year attributable to equity holders | | **850,788** | 517,516 |
| | | **2,383,803** | 1,677,918 |
| Non-controlling interest | | **(73,673)** | (25,841) |
| **Total equity** | | **2,310,130** | 1,652,077 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| 10% Senior Notes | 26 | **454,477** | 453,471 |
| Other debt and financing | 26 | **1,458,423** | 1,208,011 |
| Provisions and other non-current liabilities | 27 | **88,142** | 70,008 |
| Deferred taxation | 13 | **66,492** | 81,063 |
| **Total non-current liabilities** | | **2,067,534** | 1,812,553 |
| **Current liabilities** | | | |
| Other debt and financing | 26 | **433,987** | 496,544 |
| Payables and accruals for the purchase of property, plant and equipment | | **276,809** | 501,978 |
| Other trade payables | | **194,691** | 240,576 |
| Amounts due to joint venture partners | | **52,180** | 49,921 |
| Accrued interest and other expenses | | **173,609** | 159,539 |
| Current income tax liabilities | | **93,364** | 93,416 |
| Dividend payable | 28 | **134,747** | – |
| Provisions and other current liabilities | 27 | **210,385** | 207,106 |
| **Total current liabilities** | | **1,569,772** | 1,749,080 |
| Liabilities directly associated with assets held for sale | 6 | **43,582** | 7,098 |
| **Total liabilities** | | **3,680,888** | 3,568,731 |
| **TOTAL EQUITY AND LIABILITIES** | | **5,991,018** | 5,220,808 |

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

# Consolidated Statements of Cash Flows

For the years ended December 31, 2009, 2008 and 2007

| | Notes | 2009 US$ '000 | 2008[i] US$ '000 | 2007[i] US$ '000 |
|---|---|---|---|---|
| **Operating profit** | | **851,023** | 818,222 | 630,662 |
| **Adjustments for non-cash items** | | | | |
| Depreciation and amortization | 9, 10, 15, 16 | **611,435** | 463,720 | 313,574 |
| Loss on disposal and impairment of property, plant and equipment | 9, 10 | **7,246** | 9,166 | 3,150 |
| Reduction of goodwill | 9, 10, 15 | **–** | – | 23,358 |
| Share-based compensation | 24 | **10,175** | 13,619 | 19,228 |
| Other non-cash items | | **–** | – | 1,000 |
| | | **1,479,879** | 1,304,727 | 990,972 |
| Decrease (increase) in trade receivables, prepayments and other current assets | | **73,380** | 5,077 | (18,246) |
| Decrease (increase) in inventories | | **8,812** | 24,700 | (24,634) |
| (Decrease) increase in trade and other payables | | **(4,669)** | 29,235 | 81,327 |
| **Changes to working capital** | | **77,523** | 59,012 | 38,447 |
| Interest expense paid | | **(148,038)** | (137,301) | (148,337) |
| Interest received | | **11,316** | 32,535 | 55,476 |
| Taxes paid | | **(195,851)** | (201,235) | (164,208) |
| **Net cash provided by operating activities** | | **1,224,829** | 1,057,738 | 772,350 |
| **Cash flows from investing activities** | | | | |
| Acquisition of subsidiaries and JV, net of cash acquired | 4 | **(53,086)** | (532,181) | – |
| Purchase of intangible assets and license renewals | 15 | **(46,004)** | (112,716) | (25,474) |
| Purchase of property, plant and equipment | 16 | **(726,565)** | (1,161,088) | (768,154) |
| Proceeds from sale of property, plant and equipment and intangibles | | **3,708** | 7,434 | 1,178 |
| (Purchase) disposal of pledged deposits | | **(45,652)** | 4,027 | 35,848 |
| (Purchase) disposal of time deposits | 21 | **(50,061)** | – | – |
| Cash (used) provided by other investing activities | | **(12,275)** | 15,929 | 929 |
| **Net cash used by investing activities** | | **(929,935)** | (1,778,595) | (755,673) |
| **Cash flows from financing activities** | | | | |
| Proceeds from issuance of shares | | **2,856** | 3,179 | 33,626 |
| Proceeds from issuance of debt and other financing | 26 | **627,872** | 1,195,550 | 460,495 |
| Repayment of debt and financing | 26 | **(506,588)** | (640,414) | (269,077) |
| Payment of dividends | | **–** | (259,704) | (18,286) |
| **Net cash provided by financing activities** | | **124,140** | 298,611 | 206,758 |
| Cash provided (used) by discontinued operations | 6 | **416,755** | (69,074) | 286,403 |
| Exchange gains (losses) on cash and cash equivalents | | **1,178** | (9,082) | 8,067 |
| **Net increase (decrease) in cash and cash equivalents** | | **836,967** | (500,402) | 517,905 |
| Cash and cash equivalents at the beginning of the year | | **674,195** | 1,174,597 | 656,692 |
| **Cash and cash equivalents at the end of the year** | | **1,511,162** | 674,195 | 1,174,597 |

(i) Comparative information reclassified as a result of the classification of Millicom's operations in Asia (Cambodia, Laos and Sri Lanka) and in Sierra Leone as discontinued operations (see note 6)

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

# Consolidated Statements of Changes in Equity

For the years ended December 31, 2009, 2008 and 2007

| | 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, 2007** | 100,684 | 151,025 | 221,501 | 129,382 | 2,966 | 504,874 | 77,514 | 582,388 |
| Profit for the year | – | – | – | 697,142 | – | 697,142 | 13,842 | 710,984 |
| Currency translation differences | – | – | – | – | 31,149 | 31,149 | 7,359 | 38,508 |
| Total comprehensive income for the year | – | – | – | 697,142 | 31,149 | 728,291 | 21,201 | 749,492 |
| Transfer to legal reserve | – | – | – | (1,526) | 1,526 | – | – | – |
| Dividends paid to non-controlling shareholders | – | – | – | – | – | – | (18,286) | (18,286) |
| Shares issued via the exercise of share options | 1,626 | 2,440 | 34,186 | – | (3,838) | 32,788 | – | 32,788 |
| Shares issued as payment of bonuses[(vii)] | 13 | 20 | 980 | – | – | 1,000 | – | 1,000 |
| Share based compensation[(iii)] | 9 | 14 | 741 | – | 18,473 | 19,228 | – | 19,228 |
| Issuance of shares – 2006 LTIP[(iii)] | 58 | 87 | 4,436 | – | (4,523) | – | – | – |
| Issuance of shares[(v)] | 9 | 14 | 824 | – | – | 838 | – | 838 |
| Conversion of part of the 4% Convertible Notes[(iv)] | 29 | 43 | 1,041 | – | (196) | 888 | – | 888 |
| **Balance as of December 31, 2007** | 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 |

| | 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, 2009** | **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) | 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** |

(i) See note 23.
(ii) Includes profit for the year attributable to equity holders, of which $46 million (2008: $31 million; 2007: $20 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.

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

## 1. CORPORATE INFORMATION

Millicom International Cellular S.A. (the "Company"), a Luxembourg Société Anonyme, and its subsidiaries, joint ventures and associates (the "Group" or "Millicom") is a global telecommunications group with mobile telephony operations in the world's emerging markets. It also operates cable and broadband businesses in five countries in Central America. The Group was formed in December 1990 when Investment AB Kinnevik ("Kinnevik"), formerly named Industriförvaltnings AB Kinnevik, a company established in Sweden, and Millicom Incorporated ("Millicom Inc."), a corporation established in the United States of America, contributed their respective interests in international mobile joint ventures to form the Group.

As at December 31, 2009, Millicom had 14 mobile operations in 14 countries focusing on emerging markets in Central America, South America, Africa and Asia. Millicom operates its mobile businesses in El Salvador, Guatemala and Honduras in Central America; in Bolivia, Colombia and Paraguay in South America; in Chad, the Democratic Republic of Congo, Ghana, Mauritius, Rwanda, Senegal and Tanzania in Africa; and in Laos in Asia (see also 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 approved these consolidated financial statements on March 4, 2010. The consolidated financial statements will be ratified by the Annual General Meeting.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group are presented in US dollars and all values are rounded to the nearest thousand (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, 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

As of December 31, 2009, International Financial Reporting Standards as adopted by the European Union are similar to those published by the International Accounting Standards Board ("IASB"), except for IAS 39 – 'Financial Instruments' that has been partially adopted by the European Union, for IFRIC 12 – 'Service Concession Arrangements' that has been endorsed by the European Union in 2009 and is applicable as from March 31, 2009 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 ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

### 2.2 Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries and joint ventures as at 31 December each year. The financial statements of the subsidiaries and joint ventures are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

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, plus costs directly attributable to the acquisition. 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).

#### 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 applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests eventually result in gains and losses for the group and are recorded in the income statement. Purchases from non-controlling interests are recorded in equity if there is no change in control and these transactions do not result in goodwill or gains and losses. Any goodwill emerging from an acquisition of non-controlling interests is recorded within retained earnings.

#### Joint ventures

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

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

The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other parties in the joint venture. The Group does not recognize its share of profits or losses that results from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, the loss is 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 the 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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

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.

### 2.3 Foreign currency translation

#### Functional and presentation currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each subsidiary, joint venture and associates reflects the economic substance of the underlying events and circumstances of these entities. The Company is located in Luxembourg and its subsidiaries, joint ventures and associates operate in different currencies. The Group's consolidated financial statements are presented in U.S. 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 the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

#### Translation into presentation currency

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

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

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

iii) All resulting exchange differences are 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 the gain or loss on sale.

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

The following is a table of the principal currency translation rates to the U.S. dollar as of December 31, 2009 and 2008 and the average rates for the year ended December 31, 2009.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

| Country | Currency | 2009 Average rate | 2009 Year-end rate | 2008 Year-end rate |
|---|---|---|---|---|
| Bolivia | Boliviano | **7.02** | **7.02** | 7.03 |
| Chad and Senegal | CFA Franc | **471.30** | **457.26** | 471.84 |
| Colombia | Peso | **2,185.73** | **2,043.00** | 2,249.50 |
| Costa Rica | Colon Costa Rica | **571.56** | **565.24** | 555.47 |
| Ghana | Cedi | **1.43** | **1.43** | 1.27 |
| Guatemala | Quetzal | **8.16** | **8.35** | 7.78 |
| Honduras | Lempira | **18.89** | **18.90** | 18.90 |
| Luxembourg | Euro | **0.72** | **0.70** | 0.72 |
| Mauritius | Rupee | **31.87** | **30.01** | 31.62 |
| Nicaragua | Gold Cordoba | **20.34** | **20.84** | 19.85 |
| Paraguay | Guarani | **4,971.54** | **4,695.00** | 4,885.00 |
| Rwanda | Rwandese Franc | **567.77** | **571.24** | – |
| Sweden | Krona | **7.64** | **7.16** | 7.86 |
| Tanzania | Shilling | **1,323.92** | **1,339.50** | 1,317.50 |

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

### 2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided 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 in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during 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 and is expected without significant cost.

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

Construction in progress consists of the cost of assets, 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, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during 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 fair value as 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 the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with finite useful life 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 asset is 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 the identifiable assets less the liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate at the date of transaction. If the fair value of the identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can be determined only provisionally, then Millicom initially accounts for the goodwill using these provisional values. Within twelve months of the acquisition date, Millicom then recognizes any adjustments to these provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the acquisition have been finally determined. Adjustments to the provisional fair values are made as if the adjusted fair values had been 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 so 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 of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained.

#### Licenses

Licenses are shown at historical cost unless acquired in a business combination where the cost is the fair value as 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 the licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized from the date the network is available for use using the straight-line basis over the license period depending on the term of the license. Licenses held, subject to certain conditions, are usually renewable and are generally non-exclusive. When determining the useful life of the licenses, management usually does not consider renewal periods since there is no guarantee that the license will be renewed without significant cost (or at no cost).

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

### Trademarks and customer bases

Trademarks and customer bases are recognized as intangible assets only when acquired in business combinations or ownership increase transactions in joint ventures. Their cost corresponds to the fair value as at the date of acquisition. Trademarks and customer bases have a finite useful life 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 life for trademarks and customer bases are based on the specifications of the market in which they exist. Trademarks and customer bases are recorded under the caption "Intangible assets, net".

### 2.7 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group determines the recoverable amount based on the higher of its fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to sell is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions of the time value of money and the risk specific to the asset. In addition to the evaluation of possible impairment to the assets carrying value, the foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously 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 that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been 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 the 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 balance sheet 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. The 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. The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

### 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 of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement within "Cost of sales".

### 2.13 Deposits

#### Time deposits

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

#### Pledged deposits

Pledged deposits represent contracted cash deposit with banks that are held as security for debts either 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 balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.16 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is shown under the caption "Treasury shares" and deducted from equity attributable to the Company's equity holder until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 2.17 Borrowings and transaction costs

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an 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 balance sheet date.

Transaction costs which are not capitalized are recognized as an expense when incurred.

### 2.18 Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are 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.

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

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

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

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

### 2.20 Trade payables

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

### 2.21 Revenue recognition

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

Revenue is 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 provision of telecom services

These recurring revenues consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees and fees from other telecommunications services such as data services, short message services and other value added services. Recurring revenues are 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 the percentage of disconnections for the same type of customer which has occurred historically.

Where customers forward purchase a specified amount of airtime, revenues are recognized as credit is used. Unutilized airtime is carried in the balance sheet and is carried in the balance sheet as deferred revenue within “other current liabilities”.

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

Revenues from the sale of handsets and accessories on a stand-alone basis (if sold with other services, multiple element arrangements accounting would then apply), 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 equipments and services sold together), are divided into separate units of accounting if the deliverables in the arrangement meet certain criteria. The arrangement consideration is then allocated among the separate units of accounting based on their relative fair values or on the residual method. Revenue is then recognized separately for each unit of accounting.

### 2.22 Cost of sales

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

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

### 2.23 Customer acquisition costs

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

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

### 2.24 Employee benefits

#### Pension obligations

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for 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 the maturities of the related pension liability.

#### Share based compensation

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

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

The cost of these equity-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 vesting irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

### 2.25 Taxation

#### Current tax

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

#### Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are 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 the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry-forward of unused tax credits and unused tax losses can be utilized except where the deferred tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

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

**2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES** continued

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

### 2.26 Discontinued operations

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

### 2.27 Changes in accounting policies

The consolidated financial statements as of December 31, 2009 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 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, recognizing the resulting gain in the consolidated income statement.

The revised standard, in general, 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-related costs should be expensed.

As the Group has early adopted IFRS 3R, it is required to early adopt IAS 27R, ‘Consolidated and separate financial statements’, at the same time. 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. IAS 38 (amendment), ‘Intangible Assets’ is applied by the Group from the date IFRS 3R was adopted. The amendment to the IAS 38 clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment did not result in a material impact on the Group’s consolidated financial statements.

The following new standards and amendments to standards, which affect the presentation of the consolidated financial statements, were mandatory for the first time for the financial year beginning January 1, 2009.

– IAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. In addition, the Standard introduces the statement of comprehensive income, which presents all items of income and expenses recognized in profit or loss, together with all other items of recognized income and expense. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has decided to present two statements. These consolidated financial statements have been prepared under the revised disclosure requirements.

– IFRS 8, ‘Operating segments’. IFRS 8 replaces IAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the “Chief Operating Decision-Maker”, who makes strategic decisions. As a result of the adoption of IFRS 8, Millicom concluded that its reportable segments were Central America, Cable, South America and Africa, which does not present any change compared to the definition of segments under IAS 14.

– IFRS 7 ‘Financial instruments – Disclosures’ (amendment) – effective January 1, 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only resulted in additional disclosures.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

In addition, 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, 2009, but are not currently relevant nor have a material impact for the Group.

- IFRS 2 (amendment), 'Share-based payment'. This amendment to IFRS 2 Share-based payments was published in January 2008 and became effective for financial years beginning on or after January 1, 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

- IFRIC 13, 'Customer loyalty programmes'. The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognized.

- IFRIC 15, 'Agreements for construction of real estates' (effective from January 1, 2009). The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11,'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 was not relevant to the Group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group applied IFRIC 16 from January 1, 2009.

Finally, the following new standards and interpretations have been issued, but are not effective for the period of these financial statements 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.

- 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. This interpretation is not expected to have a material impact on Millicom financial position or results.

## 2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES continued

– 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. This interpretation will not have any impact on Millicom financial position or results.

IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual periods beginning on or after July 1, 2010 with earlier application permitted, clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability and the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. Any difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's income statement for the period. This interpretation will not have any impact on Millicoms financial position or results.

As part of its annual improvement project published in April 2009, the IASB slightly amended various standards. The improvements focused on areas of inconsistencies in IFRS or where clarification of wording was required. The effective dates of these amendments vary depending on the standard concerned. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

### 10% Senior Notes

In October 2007, Millicom decided that it would redeem the balance of the 10% Senior Notes in December 2008, and pay the contractual redemption premium of 5% (see note 26). Millicom reviewed its estimates of future cash flows and, as a result, an additional interest expense of $31 million was recorded for the year ended December 31, 2007. The 10% Senior Notes was also reclassified from non-current to current.

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

### Contingent liabilities

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

### Estimates

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

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

Deferred tax assets are 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 the long term incentive plan); note 31 – Commitments and contingencies; and note 34 – Financial instruments.

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

### 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"). Millicom's share of the acquisition cost of the remaining 55% interest in Navega 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 and Metrored | (16,944) | |
| Revaluation of the previously held interests in Navega 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).

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.

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

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.

Millicom decided to early adopt IFRS 3R and has 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. If certain conditions are met, Millicom will have to pay a further $2 million within the 14 months following the balance sheet date.

Millicom decided to early adopt 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 of 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.

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

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:

| | 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.

### Year ended December 31, 2007

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

## 5. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

### 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, $1 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.

### Year ended December 31, 2007

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

## 6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

### Discontinued operations

The results of discontinued operations for the years ended December 31, 2009, 2008 and 2007 are presented below:

| | **2009 US$ '000** | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| Revenues | **218,874** | 270,738 | 207,662 |
| Operating expenses(ii) | **(193,038)** | (243,345) | (174,446) |
| Gain from disposal, net | **288,860** | – | 258,346 |
| **Operating profit** | **314,696** | 27,393 | 291,562 |
| Non-operating expenses, net | **(10,500)** | (16,591) | (13,688) |
| **Profit before tax** | **304,196** | 10,802 | 277,874 |
| Tax charge | **(3,854)** | (8,556) | (3,367) |
| **Profit for the year attributable to equity holders** | **300,342** | 2,246 | 274,507 |

(i) Figures for 2008 and 2007 have been adjusted to include Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.
(ii) In 2009, an impairment of $11 million (2008: $11 million; 2007: $1 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, 2009, 2008 and 2007 is presented below:

| | **2009 US$ '000** | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| Net cash provided by operating activities | **29,906** | 73,956 | 70,144 |
| Net cash used by investing activities | **(62,795)** | (129,366) | (85,056) |
| Net cash (used) provided by financing activities | **(8,270)** | (22,323) | 38,154 |
| Exchange (loss) gain on cash and cash equivalents | **(158)** | 1,587 | 124 |
| Transfer of cash to assets held for sale | **(19,099)** | (521) | – |
| Proceeds from the sale of discontinued operations | **477,171** | 7,593 | 263,037 |
| Cash provided (used) by discontinued operations | **416,755** | (69,074) | 286,403 |

(i) Figures for 2008 and 2007 have been adjusted to include Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

## 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, 2009, 2008 and 2007:

| | 2009 US$ '000 | 2008[i] US$ '000 | 2007[i] US$ '000 |
|---|---|---|---|
| **Investing activities** | | | |
| Acquisition of property, plant and equipment | **(873)** | (6,563) | – |
| **Financing activities** | | | |
| Vendor financing and finance leases | **873** | 6,563 | – |

(i) Figures for 2008 and 2007 have been adjusted to include Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

### 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 have been 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, Laos's assets and liabilities only 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 whole of the 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 has been classified as a discontinued operation. In addition as at December 31, 2008 the assets and liabilities of Millicom Sierra Leone Limited are disclosed under the captions "Assets held for sale" and "Liabilities directly associated with assets held for sale". Millicom's operation in Sierra Leone was previously disclosed under the operating segment "Africa".

### Assets held for sale

On September 16, 2009 Millicom announced that it had 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 group 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.

In addition, 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. As the criteria stated by IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are met as at December 31, 2009, assets and relevant liabilities (asset retirement obligations) that are part of this sale and will not be leased back have been reclassified respectively as assets held for sale and liabilities directly associated with assets held for sale. Net amount reclassified, which excludes the portion of these assets which will be leased back, amounted to $23 million as at December 31, 2009.

## 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, 2009 and 2008 are as follows:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment, net | **70,030** | 17,977 |
| Trade receivables, net | **3,490** | 553 |
| Inventories | **312** | 357 |
| Other assets | **2,979** | 1,155 |
| Cash and cash equivalents | **1,465** | 521 |
| **Assets held for sale** | **78,276** | 20,563 |
| **Liabilities** | | |
| Non-current debt and other financing | **8,244** | 41 |
| Other non-current liabilities | **7,982** | 691 |
| Current debt and other financing | **5,124** | 57 |
| Trade payables | **14,317** | 3,023 |
| Other current liabilities | **7,915** | 3,286 |
| Liabilities directly associated with assets held for sale | **43,582** | 7,098 |
| Net assets directly associated with the disposal group | **34,694** | 13,465 |

## 7. SUBSIDIARIES

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

| Name of the company | Country | **Holding December 31, 2009 % of ownership interest** | Holding December 31, 2008 % of ownership interest |
|---|---|---|---|
| **Central America** | | | |
| Telemovil El Salvador S.A. | El Salvador | **100.0** | 100.0 |
| **South America** | | | |
| Telefonica Celular de Bolivia S.A. | Bolivia | **100.0** | 100.0 |
| Telefonica Celular del Paraguay S.A. | 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 |
| Millicom (S.L.) Limited (see note 5) | Sierra Leone | **–** | 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** | 87.5 |
| Millicom Rwanda Limited | Rwanda | **87.5** | 87.5 |
| **Asia** | | | |
| Millicom Lao Co. Limited (see note 6) 74.1 | Lao People's Democratic Republic | | 74.1 |
| Tigo (Pvt) Limited (see note 5) | Sri Lanka | **–** | 99.9 |
| 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, 2009 % of ownership interest** | Holding December 31, 2008 % of ownership interest |
|---|---|---|---|
| **Central America** | | | |
| Comunicaciones Celulares S.A. | Guatemala | **55.0** | 55.0 |
| Telefonica Celular S.A. | Honduras | **66.7** | 66.7 |
| Navega.com S.A. (see notes 4 and 17) | Guatemala | **55.0** | – |
| Metrored S.A. (see notes 4 and 17) | Honduras | **60.7** | – |
| **Africa** | | | |
| Emtel Limited | Mauritius | **50.0** | 50.0 |
| **Asia** | | | |
| Cam GSM Campany Limited | Cambodia | **–** | 58.4 |

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, 2009 and 2008, which are included in the consolidated financial statements, are as follows:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Current assets | **177,878** | 194,994 |
| Non-current assets | **644,553** | 644,550 |
| **Total assets** | **822,431** | 839,544 |
| Current liabilities | **250,552** | 282,492 |
| Non-current liabilities | **166,698** | 112,116 |
| **Total liabilities** | **417,250** | 394,608 |

The share of revenues and operating expenses of the jointly controlled entities for the years ended December 31, 2009, 2008 and 2007, which are included in the consolidated income statements from continuing operations, are as follows:

| | **2009 US$ '000** | 2008[(i)] US$ '000 | 2007[(i)] US$ '000 |
|---|---|---|---|
| Revenues | **947,600** | 968,317 | 776,652 |
| Total operating expenses | **(503,298)** | (488,632) | (385,467) |
| Operating profit | **444,302** | 479,685 | 391,185 |

(i) Comparative information reclassified as a result of the classification of Millicom's operations in Cambodia as discontinued operations.

## 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 have been sold in 2009 (see note 5).

The following tables present revenues, operating profit/(loss) and other segment information for the years ended December 31, 2009, 2008 and 2007:

| **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** |
| 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** |
| Additions to: | | | | | | | | | |
| Property, plant and equipment | **102,295** | **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** |

| 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 |
| 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 |
| 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** |

## 9. SEGMENT INFORMATION continued

| 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 | 1,149,368 | 809,881 | 469,833 | – | – | 2,429,082 | 207,662 | – | 2,636,744 |
| Operating profit (loss) | 526,369 | 106,591 | 66,716 | – | (69,014) | 630,662 | 291,562 | – | 922,224 |
| Add back: | | | | | | | | | |
| Depreciation and amortization | 80,695 | 144,704 | 87,935 | – | 239 | 313,573 | 41,367 | – | 354,940 |
| Loss (gain) of disposal and impairment | 1,083 | 1,937 | 173 | – | (44) | 3,149 | (257,680) | – | (254,531) |
| Reduction of goodwill | – | 23,358 | – | – | – | 23,358 | – | – | 23,358 |
| Share based compensation | – | – | – | – | 19,228 | 19,228 | – | – | 19,228 |
| Corporate costs | – | – | – | – | 49,591 | 49,591 | – | – | 49,591 |
| Adjusted operating profit (loss) (i) | 608,147 | 276,590 | 154,824 | – | – | 1,039,561 | 75,249 | – | 1,114,810 |
| Total Assets | 1,086,366 | 1,143,305 | 1,046,669 | – | 1,087,774 | 4,364,114 | 299,976 | (250,264) | 4,413,826 |
| Total Liabilities | 521,285 | 859,455 | 947,234 | – | 875,084 | 3,203,058 | 227,936 | (385,504) | 3,045,490 |
| Additions to: | | | | | | | | | |
| Property, plant and equipment | 282,312 | 319,861 | 333,976 | – | 926 | 937,075 | 99,085 | – | 1,036,160 |
| Intangible assets | 9,366 | 5,216 | 3,323 | – | 943 | 18,848 | 594 | – | 19,442 |
| **Capital expenditure** | **291,678** | **325,077** | **337,299** | **–** | **1,869** | **955,923** | **99,679** | **–** | **1,055,602** |

(i) Adjusted operating profit is the measure used by the management to monitor the segmental performance and for the capital management also (see note 33).
(ii) Segment assets include goodwill and other intangibles and tangibles emerged from the acquisition of Navega and Amnet.

Revenues from continuing operations for the years ended December 31, 2009, 2008 and 2007 analyzed by country are as follows:

| | **2009 US$ '000** | 2008 US$ '000 | 2007 US$ '000 |
|---|---|---|---|
| Guatemala | **517,555** | 515,531 | 426,207 |
| El Salvador | **493,298** | 461,878 | 401,023 |
| Honduras | **436,435** | 426,689 | 322,138 |
| Colombia | **444,899** | 448,374 | 447,557 |
| Paraguay | **387,964** | 392,626 | 255,403 |
| Other | **1,092,576** | 905,461 | 576,754 |
| **Total** | **3,372,727** | 3,150,559 | 2,429,082 |

Non-current assets as at December 31, 2009 and 2008 analyzed by country are as follows:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Guatemala | **308,580** | 215,284 |
| El Salvador | **441,521** | 487,197 |
| Honduras | **329,791** | 287,345 |
| Colombia | **585,184** | 593,912 |
| Paraguay | **231,917** | 239,692 |
| Other (i) | **1,858,485** | 1,954,144 |
| **Total** | **3,755,478** | 3,777,574 |

(i) Includes Amnet goodwill of $340 million (December 31, 2008: $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:

| | 2009 US$ '000 | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| Revenues | **3,372,727** | 3,150,559 | 2,429,082 |
| Cost of rendering telecommunication services | **(716,269)** | (737,407) | (615,645) |
| Depreciation and amortization (notes 9,15 and 16) | **(611,435)** | (463,720) | (313,573) |
| Dealer commissions | **(300,487)** | (286,007) | (203,776) |
| Employee related costs (note 11) | **(249,757)** | (210,545) | (169,024) |
| Sites and network maintenance | **(151,816)** | (123,176) | (83,855) |
| Advertising and promotion | **(122,986)** | (132,351) | (103,669) |
| Phone subsidies | **(108,714)** | (143,634) | (112,111) |
| External services | **(81,537)** | (74,080) | (66,257) |
| Operating lease expense (note 31) | **(72,749)** | (59,486) | (42,174) |
| Billing and payments | **(21,005)** | (16,853) | (12,638) |
| Reduction of goodwill (notes 9 and 15) | **–** | – | (23,358) |
| Loss on disposal and impairment of assets, net (note 9 and 16) | **(7,246)** | (9,166) | (3,149) |
| Other expenses | **(77,703)** | (75,912) | (49,191) |
| **Operating profit** | **851,023** | 818,222 | 630,662 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka, and reclassified to improve the presentation of the operating profit.

The following table summarizes the aggregate amounts paid to Millicom's auditors for the years ended December 31, 2009, 2008 and 2007.

| | 2009 US$ '000 | 2008 US$ '000 | 2007 US$ '000 |
|---|---|---|---|
| Audit Fees | **4,179** | 4,276 | 3,801 |
| Audit Related Fees | **115** | 15 | 14 |
| Tax Fees | **61** | 52 | 54 |
| All Other Fees | **71** | 5 | 12 |
| **Total** | **4,426** | 4,348 | 3,881 |

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:

| | 2009 US$ '000 | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| Wages and salaries | **(183,220)** | (141,931) | (108,759) |
| Social security | **(20,105)** | (17,863) | (12,891) |
| Share based compensation (see note 24) | **(10,175)** | (13,619) | (19,228) |
| Other employee related costs (ii) | **(36,257)** | (37,132) | (28,146) |
| **Total** | **(249,757)** | (210,545) | (169,024) |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.
(ii) Includes pension costs and other benefits.

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## 11. EMPLOYEE RELATED COSTS continued

The average number of permanent employees during the years ended December 31, 2009, 2008 and 2007 was as follows:

| | 2009 | 2008(i) | 2007(i) |
|---|---|---|---|
| Continuing operations | **5,937** | 4,861 | 3,583 |
| Discontinued operations | **1,852** | 1,812 | 1,185 |
| **Total average number of permanent employees** | **7,789** | 6,673 | 4,768 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

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

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

| | 2009 US$ '000 | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| Loss on repurchase of the 10% Senior Notes (see note 26) | **–** | – | (4,961) |
| Other exchange (losses) gains, net | **(32,181)** | (52,265) | 14,945 |
| **Other non operating (expenses) income, net** | **(32,181)** | (52,265) | 9,984 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

## 13. TAXES

Group taxes are mainly comprised of income taxes of subsidiaries and joint ventures. As a Luxembourg commercial company, the Company is subject to all taxes applicable to a Luxembourg Société Anonyme. Due to losses incurred and brought forward, no taxes based on Luxembourg-only income have been computed for 2009, 2008 or 2007.

The effective tax rate on continuing operations is approximately 27% (2008: 40%, 2007: 16%). Currently Millicom operations are in jurisdictions with income tax rates of 10% to 40% (2008 and 2007: 10% to 40%).

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

| | 2009 % | 2008(i) % | 2007(i) % |
|---|---|---|---|
| Weighted average statutory tax rate(ii) | **23** | 22 | 23 |
| Derecognition (recognition) of previously unrecorded tax losses | **–** | 10 | (11) |
| Unrecognized current year tax losses(iii) | **9** | 10 | 10 |
| Non taxable income and non-deductible expenses, net | **(1)** | (1) | (2) |
| Taxes based on revenue | **(8)** | (8) | (10) |
| Income taxes at other than statutory tax rates | **3** | 4 | 2 |
| Withholding taxes on transfers between operating and non-operating entities | **3** | 3 | 4 |
| Non taxable gain arising from revaluation of previously held interests | **(2)** | – | – |
| **Effective tax rate(iv)** | **27** | 40 | 16 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.
(ii) The weighted average statutory tax rate has been determined by dividing the aggregate statutory tax charge of each subsidiary and joint venture, which was obtained by applying the statutory tax rate to the profit or loss before tax, by the aggregate profit before tax.
(iii) 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 and Colombia (2008: Colombia and the Democratic Republic of Congo; 2007: Democratic Republic of Congo).
(iv) The variation in the effective tax rate is mainly due to the recognition of deferred tax assets for tax loss carry forwards in Colombia in 2007 and its impairment in 2008 (see below).

### 13. TAXES continued

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

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

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):

| | 2009<br>US$ ‘000 | 2008[(i)]<br>US$ ‘000 | 2007[(i)]<br>US$ ‘000 |
|---|---|---|---|
| Current income tax charge | **(201,230)** | (192,427) | (169,325) |
| Net deferred income tax benefit (expense) | **13,232** | (76,386) | 85,615 |
| **Charge for taxes** | **(187,998)** | (268,813) | (83,710) |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

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 | |
|---|---|---|---|---|
| | **2009<br>US$ ‘000** | 2008<br>US$ ‘000 | **2009<br>US$ ‘000** | 2008[(i)]<br>US$ ‘000 |
| Loss carry-forwards | **5,877** | 7,822 | **(1,945)** | (77,990) |
| Provision for doubtful debtors | **3,604** | 3,402 | **408** | 1,277 |
| Temporary differences between book and tax basis of intangible assets and property, plant and equipment | **(36,631)** | (45,271) | **(2,411)** | (1,851) |
| Deferred tax liabilities recognized as part of the acquisition of Amnet (see note 4) | **(32,042)** | (41,527) | **9,485** | – |
| Deferred tax liabilities recognized as part of the acquisition of Navega (see note 4) | **(2,962)** | – | **540** | – |
| Temporary differences between book and tax basis of other assets and liabilities | **15,592** | 8,732 | **7,155** | 2,178 |
| **Deferred tax benefit (expense)** | | | **13,232** | (76,386) |
| **Deferred tax liabilities, net** | **(46,562)** | (66,842) | | |
| **Reflected in the balance sheets as follows:** | | | | |
| Deferred tax assets | **19,930** | 14,221 | | |
| Deferred tax liabilities | **(66,492)** | (81,063) | | |

(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.

### 13. TAXES continued

No deferred tax liability was recognized in respect of $1,955 million (2008: $2,022 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 carryforwards relating to continuing operations amounted to $885 million as at December 31, 2009 (2008: $610 million, 2007: $120 million) with expiry periods of between 1 and 6 years except for $326 million where the losses do not expire. In addition the Company has unrecognized net operating losses of $1,971 million (2008: $1,823 million) which do not expire.

### 14. EARNINGS PER SHARE

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

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

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

| | **2009 US$ '000** | 2008[i] US$ '000 | 2007[i] US$ '000 |
|---|---|---|---|
| **Basic** | | | |
| Net profit attributable to equity holders from continuing operations | **551,390** | 516,316 | 422,763 |
| Net profit attributable to equity holders from discontinued operations | **298,858** | 1,200 | 274,379 |
| Net profit attributable to equity holders used to determine the basic earnings per share | **850,788** | 517,516 | 697,142 |
| **Diluted** | | | |
| Net profit attributable to equity holders from continuing operations | **551,390** | 516,316 | 422,763 |
| Interest expense on convertible debt (note 26) | **–** | 760 | 16,640 |
| Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share | **551,390** | 517,076 | 439,403 |
| Net profit attributable to equity holders from discontinued operations | **298,858** | 1,200 | 274,379 |
| Net profit attributable to equity holders used to determine the diluted earnings per share | **850,788** | 518,276 | 713,782 |

| | **2009 '000** | 2008 '000 | 2007 '000 |
|---|---|---|---|
| Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share | **108,527** | 107,869 | 101,088 |
| Effect of dilution: | | | |
| Potential incremental shares as a result of share options | **223** | 434 | 1,250 |
| Assumed conversion of convertible debt | **–** | 343 | 5,709 |
| Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution | **108,750** | 108,646 | 108,047 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

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 2009 were as follows:

| | Goodwill US$ '000 | Licenses US$ '000 | Other[iii] 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) [i] | **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 [ii] | **–** | **(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 change in the composition of the Group corresponded to the acquisition of Navega and other minor investments.
(ii) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".
(iii) The caption "Other" includes mainly those intangible assets identified in business combination (i.e. customers' lists and trademarks).

The movements in intangible assets in 2008 were as follows:

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

(i) The change in the composition of the Group corresponded to the acquisition of Navega and other minor investments.
(ii) The amortization charge for Licenses and Other is recorded under the caption "General and administrative expenses".
(iii) Millicom operation in Sierra Leone (see note 6).
(iv) Acquisitions of License refer to $67 million for the license for the Millicom operation in Rwanda (see note 1).
(v) 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:

| | 2009 US$ '000 | 2008[(i)] US$ '000 | 2007[(i)] US$ '000 |
|---|---|---|---|
| Additions | **46,112** | 121,375 | 19,442 |
| Additions from Discontinued Operations | **–** | (1,823) | (594) |
| **Subtotal** | **46,112** | 119,552 | 18,848 |
| License installments | **–** | 323 | 6,626 |
| License acquisition costs, paid in shares in Millicom Rwanda Limited | **–** | (7,159) | – |
| Other | **(108)** | – | – |
| **Cash used from continuing operations for additions from intangible assets** | **46,004** | 112,716 | 25,474 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

#### Impairment test of goodwill

For the year ended December 31, 2009, management tested at year-end all goodwill for impairment. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated.

The recoverable amount of a cash-generating unit ("CGU") or group of CGUs is determined based on discounted cash flow calculation. 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 the management and the Board covering a period of 3 years. The planning horizon reflects industry practice in the countries where the Group operates. Cash flows beyond this period are extrapolated using a perpetual growth rate of 1% (2008: 1.5%). Apart from Millicom's operation in Sierra Leone (see note 6), no impairment losses were recorded on goodwill for the years ended December 31, 2009 and 2008.

The recoverable amounts have been determined for the cash generating units based on the following discount rates for the years ended December 31, 2009 and 2008:

| | Discount rate after tax | |
|---|---|---|
| | 2009 | 2008 |
| Central America, including Amnet and Navega | **10.7% – 15.7%** | 9.6% – 12.8% |
| South America | **10.6% – 16.3%** | 10.2% – 16.5% |
| Africa | **9.7% – 14.8%** | 10.7% – 15.4% |

As part of the impairment tests, a sensitivity analysis was carried out on the key assumptions. It was noted that there was sufficient headroom to conclude that it was unlikely that realistic changes to the assumptions would have resulted in an impairment.

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

| Millicom's operations in: | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| Amnet Group (see note 4) | **339,982** | 339,982 |
| Colombia | **49,103** | 44,595 |
| El Salvador | **42,053** | 42,053 |
| Navega (see note 4) | **38,203** | – |
| Senegal | **37,706** | 36,541 |
| Tanzania | **13,985** | 14,219 |
| Ghana | **12,695** | 14,281 |
| Other | **14,259** | 15,624 |
| **Total goodwill** | **547,986** | 507,295 |

## 16. PROPERTY, PLANT AND EQUIPMENT

The 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.

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

(i) The caption "Other" mainly includes office equipment and motor vehicles.
(ii) For the year ended December 31, 2008, Millicom recorded an impairment charge of $9 million, mainly related to its operation in Sierra Leone (see note 6).
(iii) The depreciation charge for network equipment is recorded under the caption "Cost of sales" and the depreciation charge for Land and Buildings and Other is recorded under the caption "General and administrative expenses".
(iv) The change in the composition of the Group corresponds to the acquisition of Amnet.

### 16. PROPERTY, PLANT AND EQUIPMENT continued

The amount of borrowing costs capitalized for the year ended December 31, 2009 was $4 million (2008: $9 million).

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

| | 2009 US$ '000 | 2008[i] US$ '000 | 2007[i] US$ '000 |
|---|---|---|---|
| Additions | **770,448** | 1,321,316 | 1,036,160 |
| Additions from discontinued Operations | **(79,072)** | (163,629) | (99,085) |
| **Subtotal** | **691,376** | 1,157,687 | 937,075 |
| Suppliers advances | **(77,539)** | 72,881 | 15,844 |
| Change in capex payable | **162,421** | (19,013) | (157,179) |
| Vendor financing and finance leases (see note 30) | **(45,399)** | (42,069) | (23,041) |
| Capitalized interests | **(4,294)** | (8,398) | (4,545) |
| Cash used from continuing operations for purchase of property, plant and equipment | **726,565** | 1,161,088 | 768,154 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

### 17. INVESTMENTS IN ASSOCIATES

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 Metrored S.A. ("Metrored"), which is 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 Metrored were reclassified from associates to joint ventures (see note 8).

### 18. NON-CURRENT PLEDGED DEPOSITS

As at December 31, 2009, non-current pledged deposits amounted to $53 million (2008: $6 million) and mainly related to a borrowing in Millicom's operation in Chad (see note 26).

### 19. TRADE RECEIVABLES

| | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| Gross trade receivables | **262,884** | 290,580 |
| Less: provisions for impairment of receivables | **(38,176)** | (33,125) |
| **Trade receivables, net** | **224,708** | 257,455 |

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, 2009 and 2008, the ageing analysis of trade receivables is as follows:

| | | Past due but not impaired | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired US$ '000 | < 30 days US$ '000 | 30-90 days US$ '000 | > 90 days US$ '000 | Total US$ '000 |
| **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** |

| | | Past due but not impaired | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired US$ '000 | < 30 days US$ '000 | 30-90 days US$ '000 | > 90 days US$ '000 | Total US$ '000 |
| **2008** | | | | | |
| Telecom operators | 68,052 | 27,498 | 91,572 | 1,873 | 188,995 |
| Own customers | 28,155 | 9,286 | 2,789 | – | 40,230 |
| Others | 19,902 | 5,210 | 2,990 | 128 | 28,230 |
| **Total** | 116,109 | 41,994 | 97,351 | 2,001 | 257,455 |

## 20. OTHER CURRENT ASSETS

Other current assets are comprised as follows:

| | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| VAT tax sales receivables | **15,152** | 30,083 |
| Pledged deposits | **9,396** | 11,031 |
| Escrow accounts (see note 27) | **18,039** | 23,911 |
| Other | **15,572** | 22,834 |
| Total other current assets | **58,159** | 87,859 |

## 21. TIME DEPOSIT

As at December 31, 2009, time deposit amounted to $50 million (2008: nil). Maturity date of the deposit will be April 22, 2010 and relevant yearly interest rate is 0.65%.

## 22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

| | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| Cash and cash equivalents in U.S. dollars | **1,247,345** | 439,515 |
| Cash and cash equivalents in other currencies | **263,817** | 234,680 |
| **Total cash and cash equivalents** | **1,511,162** | 674,195 |

Our cash is diversified among leading international and 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 (2008: 133,333,200). As of December 31, 2009, the total subscribed and fully paid-in share capital and premium was $661 million (2008: $643 million) consisting of 108,648,325 (2008: 108,297,507) registered common shares at a par value of $1.50 (2008: $1.50) each.

In 2009, the Company issued a total of 350,818 new shares (2008: 5,869,247 new shares), resulting from:
– 139,224 new shares (2008: 169,056 new shares) following the exercise of share options;
– 210,673 new restricted shares to employees and directors (2008: 77,720); and
– 921 new unrestricted shares to employees and directors (2008: nil).

5,622,471 new shares following the conversion of the 4% Convertible Notes were issued in 2008.

## 24. SHARE BASED COMPENSATION

### Share options

Up until May 30, 2006, share options were granted to directors, senior executives, officers and selected employees. The exercise price of the granted options was equal to or higher than the market price of the shares on the date of grant. The options were conditional on the employee or Director completing one to five years service (the vesting period). The options were exercisable starting from one year to five years from the grant date. The options have a contractual option term of six years from the grant date for employees and of twenty years for directors (amended in 2005). Share options grants for directors prior to 2005 had an indefinite life. Shares issued when share options are exercised have the same rights as common shares.

The following table summarizes information about share options outstanding at December 31, 2009. The market price of the Company's shares as at December 31, 2009 was $73.77 (2008: $44.91).

| | Options outstanding | | Options exercisable | |
|---|---|---|---|---|
| **Range of exercise price $** | **Weighted average exercise price** | **Number outstanding at December 31, 2009** | **Weighted average exercise price** | **Number exercisable at December 31, 2009** |
| 20.56 | 20.56 | 150,485 | 20.56 | 64,643 |
| 25.05-29.75 | 27.02 | 79,307 | 27.02 | 79,307 |
| 31.88-35.91 | 34.06 | 99,996 | 34.06 | 99,996 |
| **20.56-35.91** | **26.21** | **329,788** | **28.20** | **243,946** |

## 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, 2009 | Exercise price $ | Terms of option |
|---|---|---|---|
| May 1996, May 1997, May 1998 | | | |
| May 2000 and May 2004 | 173,328 | 25.05 – 35.91 | Exercisable immediately. Options have an indefinite life. |
| May 2005 | 35,000 | 20.56 | Exercisable immediately. Options have a twenty year life. |
| May 2004 | 5,975 | 25.05 | Exercisable over a three-year period in equal installments. Options expire after six years from date of grant. |
| May 2005 | 82,151 | 20.56 | Exercisable over a five year period in equal installments. Options expire after six years from date of grant. |
| July 2005 and May 2006 | 33,334 | 20.56 | Exercisable over a three-year period in equal installments from the start of the fourth year. Options expire after six years from date of grant. |

The following table summarizes the Company's share options as of December 31, 2009, 2008 and 2007, and changes during the years then ended:

| | **2009** | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| | **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** | **24.23** | **494,120** | 22.60 | 708,003 | 21.04 | 2,380,305 |
| Expired/forfeited | **18.73** | **(25,108)** | 19.02 | (44,827) | 20.83 | (46,430) |
| Exercised | **20.53** | **(139,224)** | 18.79 | (169,056) | 20.37 | (1,625,872) |
| **Outstanding at end of year** | **26.21** | **329,788** | 24.23 | 494,120 | 22.60 | 708,003 |
| **Exercisable at end of year** | **28.20** | **243,946** | 27.73 | 252,624 | 24.59 | 358,574 |

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

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.

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### 24. SHARE BASED COMPENSATION continued

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 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** |

Grants to directors in 2008 were as follows:

| | Number of shares | Share price at date of grant | 2008 Expense (US$'000) |
|---|---|---|---|
| Directors | 6,373 | 114.07 | 727 |
| **Total** | 6,373 | | 727 |

Compensation expense for the total number of shares awarded in 2009 and 2008 to directors was measured on the grant dates, the date of the Annual General Meeting of Shareholders on May 26, 2009 and on May 27, 2008, using Millicom's closing share price as quoted on the NASDAQ National Market on those dates.

#### Long-term incentive plans

In May 2006 at the Annual General Meeting a long term incentive plan ("2006 LTIP") was approved. This long term incentive plan was based on a target share award granted to eligible Millicom employees, limited to Millicom senior level employees, key high potential employees and certain critical new recruits. The shares granted are subject to a one-year holding period once the shares are vested.

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

For the 2006 LTIP, the shares granted vest 20% on December 31, 2006, 20% on December 31, 2007 and 60% on December 31, 2008. In addition, at the end of the third-year performance period there were an additional 32% of shares that vested, because performance targets relating to Millicom's share price growth compared to a peer group index, revenue growth, EBITDA margin, and profit margin were exceeded. In January 2009, 202,811 shares were issued as third and final tranche of the 2006 LTIP.

The total charge for the above plan was $22 million which was recorded over the service period.

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

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

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

### 24. SHARE BASED COMPENSATION continued

The total charge for the 2007 and 2008 LTIP, both for the performance shares and for the matching share awards, amounted and was estimated as at December 31, 2009 respectively at $15 and $7 million, both to be recorded over the service periods.

Following the sale of our operation in Sri Lanka, 1,310 shares were issued on October 16, 2009 under the 2007 performance share plan.

Long term incentive awards for 2009 ("2009 LTIP") were approved by Millicom's Board of Directors on June 16, 2009. This new plan consists of two elements: a deferred share awards plan and a performance shares plan.

The deferred share awards, that will vest 16.5% on January 1, 2010 and 2011 and 67% on January 1, 2012, are based on past performance. The performance shares plan vests at the end of a three year period, 50% subject to a market condition that is based on the "total shareholder return" ("TSR") of Millicom compared to the TSR of six comparable mobile telephony 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 a market condition has been determined and applied to the total potential number of performance shares and will be expensed over the vesting period.

The total charge for the above plans, both for the deferred share awards plan and the performance shares plan, was estimated as of December 31, 2009 at $12 million, to be recorded over the service periods.

Following the sale of our operation in Sri Lanka, 921 unrestricted shares were issued on October 16, 2009 under the 2009 deferred share awards plan.

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

| | **Performance shares 2009** | **Deferred share awards 2009** | Matching share awards plan 2008 | Performance shares 2008 | Matching share awards plan 2007 | Performance shares 2007 |
|---|---|---|---|---|---|---|
| Maximum share awards | **124,254** | **172,352** | 168,396 | 223,829 | 187,470 | 253,489 |
| Revision for expected forfeitures | **(15,133)** | **(20,288)** | (81,106) | (66,511) | (116,742) | (97,666) |
| Revision for expectations in respect of performance conditions | **–** | **–** | – | (157,318) | – | – |
| Shares issued | **–** | **(921)** | – | – | – | (1,310) |
| **Share awards expected to vest** | **109,121** | **151,143** | 87,290 | – | 70,728 | 154,513 |

#### Bonus shares

No bonus shares were issued in 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, 2009, 2008 and 2007 was as follows:

| | **2009 US$ '000** | 2008 US$ '000 | 2007 US$ '000 |
|---|---|---|---|
| Share options | **(46)** | 364 | 627 |
| Restricted share grants | **368** | 727 | 755 |
| 2006 LTIP | **(530)** | 4,087 | 10,971 |
| 2007 LTIP | **5,142** | 2,979 | 6,875 |
| 2008 LTIP | **167** | 4,237 | – |
| 2009 LTIP | **5,074** | – | – |
| Bonus shares | **–** | 1,225 | – |
| **Total share-based compensation expense** | **10,175** | 13,619 | 19,228 |

## 25. OTHER RESERVES

| | Legal reserve US$ '000 | Equity settled transaction reserve US$ '000 | Equity component convertible notes US$ '000 | Currency translation reserve US$ '000 | Total US$ '000 |
|---|---|---|---|---|---|
| **As at January 1, 2007** | 13,577 | 13,848 | 39,109 | (63,568) | 2,966 |
| Transfer from retained profits | 1,526 | – | – | – | 1,526 |
| Shares issued via the exercise of share options | – | (3,838) | – | – | (3,838) |
| Share based compensation | – | 18,473 | – | – | 18,473 |
| Issuance of shares – 2006 LTIP | – | (4,523) | – | – | (4,523) |
| Conversion of part of the 4% Convertible Notes | – | – | (196) | – | (196) |
| Currency translation movement | – | – | – | 31,149 | 31,149 |
| **As at December 31, 2007** | 15,103 | 23,960 | 38,913 | (32,419) | 45,557 |
| Transfer from retained 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)** |

### 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 2009, the shareholders voted to transfer $1 million from retained profits to the legal reserve.

### 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. If the options are subsequently exercised then the cost attributed to these options is transferred from the Equity settled transaction reserve to the share premium. The reserve will be transferred to the share capital and share premium account when the shares under the different LTIPs vest.

### Equity component convertible notes

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

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

### 25. OTHER RESERVES continued

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

#### Currency translation reserve

For the purposes of consolidating joint ventures, associates and subsidiaries with functional currencies other than U.S. dollars, their balance sheets are translated to U.S. dollars using the closing exchange rate. 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:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Corporate debt: | | |
| 10% Senior Notes | **454,477** | 453,471 |
| Other debt and financing | **1,892,410** | 1,704,555 |
| **Total borrowings** | **2,346,887** | 2,158,026 |

Borrowings due after more than one year:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Corporate debt: | | |
| 10% Senior Notes | **454,477** | 453,471 |
| Other debt and financing: | | |
| Bank financing | **1,487,863** | 1,111,989 |
| Non-controlling shareholders | **274,066** | 229,624 |
| Vendor financing | **25,889** | 28,667 |
| Finance leases | **4,146** | 6,479 |
| **Total non-current other debt and financing** | **2,246,441** | 1,830,230 |
| Less: portion payable within one year | **(333,541)** | (168,748) |
| **Total other debt and financing due after more than one year** | **1,912,900** | 1,661,482 |

## 26. BORROWINGS continued

Borrowings due within one year:

| | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| Other debt and financing: | | |
| Bank financing | **71,896** | 306,243 |
| Vendor financing | **28,376** | 21,484 |
| Finance leases | **174** | 69 |
| **Total current other debt and financing** | **100,446** | 327,796 |
| Portion of non-current debt payable within one year | **333,541** | 168,748 |
| **Total other debt and financing due within one year** | **433,987** | 496,544 |

The following table provides details of net debt change for the years 2009, 2008 and 2007:

| | 2009 US$ '000 | 2008(i) US$ '000 | 2007(i) US$ '000 |
|---|---|---|---|
| **Net debt at the beginning of the year** | **1,483,831** | 659,694 | 836,964 |
| **Cash items** | | | |
| Proceeds from issuance of debt and other financing | **627,872** | 1,206,607 | 545,351 |
| Repayment of debt and other financing | **(506,588)** | (664,294) | (315,955) |
| Net (increase) decrease in cash and cash equivalents | **(836,967)** | 500,402 | (517,905) |
| Purchase of time deposits | **(50,061)** | – | – |
| Purchase (disposal) of pledged deposits | **(45,652)** | 4,027 | 35,848 |
| **Non-cash items** | | | |
| Vendor financing and finance leases (see note 30) | **45,399** | 48,632 | 23,041 |
| Interest accretion | **20,908** | 30,532 | 8,419 |
| 10% Senior Notes adjustment | **–** | (28,545) | 31,035 |
| Conversion of the 4% Convertible Notes | **–** | (176,247) | – |
| Debt acquired in acquisition of subsidiaries | **25,962** | 3,387 | – |
| Other | **(95,637)** | (19,469) | (33,987) |
| Exchange movement on debt and other financing | **53,868** | (80,895) | 46,883 |
| Net debt at the end of the year | **722,935** | 1,483,831 | 659,694 |

(i) Figures for 2008 and 2007 have not been restated.

### 10% Senior Notes

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

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

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

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

## 26. BORROWINGS continued

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

### 4% convertible Notes

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

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

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

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

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

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

### Other debt and financing

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

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Colombia (i) | **508,904** | 456,356 |
| Amnet (ii) | **247,334** | 231,523 |
| Tanzania (iii) | **212,405** | 168,793 |
| El Salvador (iv) | **159,332** | 192,045 |
| Ghana (v) | **137,650** | 138,999 |
| Guatemala (vi) | **100,351** | 11,000 |
| Honduras (vii) | **100,339** | 90,817 |
| Bolivia (viii) | **99,075** | 103,111 |
| Chad (ix) | **94,157** | 45,777 |
| DRC (x) | **78,865** | 63,256 |
| Senegal (xi) | **63,469** | 58,309 |
| Paraguay (xii) | **59,931** | 64,147 |
| Other | **30,598** | 80,422 |
| **Total other debt and financing** | **1,892,410** | 1,704,555 |
| Of which: | | |
| Due after more than 1 year | **1,458,423** | 1,208,011 |
| Due within 1 year | **433,987** | 496,544 |

Financial Statements

**26. BORROWINGS** continued

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 ($191 million as at December 31, 2009), 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, 2009 $191 million (2008: $173 million) was outstanding on this facility.

In October 2006, the Company acquired a majority ownership of 50% plus 1 share in Colombia Movil. At the time of the acquisition the Company had a COP169 billion ($83 million) Hermes guaranteed export credit facility with Citigroup maturing in January 2012. This facility was bearing interest at Indice de Precios al Consumidor ("IPC") plus 6.30% and was 100% guaranteed by the non-controlling shareholders. This facility was settled in 2009. As at December 31, 2008 $37 million was outstanding under this facility.

Colombia Movil S.A. E.S.P. also had local currency loans from the non-controlling shareholders outstanding as at December 31, 2009 of $274 million (2008: $230 million). These loans bear interest at DTF plus 4.15% and mature between 2011 and 2013.

In addition, as at December 31, 2009 Colombia Movil S.A. E.S.P. had $44 million (2008: $16 million) of other debt and financing, in US$ and local currency.

### ii) Amnet

In October 2008, Millicom Cable N.V. signed a 1 year financing agreement with RBS and Standard Bank for $200 million to partly finance the acquisition of Amnet. The loan was bearing interest for the first six months at $ LIBOR plus 2.5%, for months seven to nine at $ LIBOR plus 2.875% and months ten to twelve at $ LIBOR plus 3.125%. The loan was increased by $30 million in December 2008 through a financing agreement with Nordea. The total loan, amounting to $230 million, was fully guaranteed by the Company. The facility was settled in 2009. $230 million was outstanding as at December 31, 2008.

In September 2009, Millicom Cable N.V., a subsidiary of the Company, refinanced the above agreement with a 2 years, $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 is bearing 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, up to 5.75% for the last quarter in 2011. $247 million was outstanding as at December 31, 2009.

As at December 31, 2009 Amnet had no other debt and financing (2008: $2 million).

### iii) Tanzania

In December 2008, Millicom Tanzania Limited, Millicom's operation in Tanzania entered into facilities totaling $228 million comprising 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, 2009, the amount outstanding under these facilities was $200 million (2008: $152 million).

In March 2007, Millicom Tanzania Limited entered into a new 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, 2009 amounted to $12 million (2008: $17 million).

Millicom Tanzania Limited had no other debt and financing outstanding as at December 31, 2009 and 2008.

**26. BORROWINGS** continued

iv) El Salvador

In September 2006, Telemovil El Salvador S.A., Millicom's operation in El Salvador, entered into a $200 million 5 year loan. The loan was syndicated amongst a group of local and international banks and was arranged by ABN AMRO, Citigroup and Standard Bank. The loan bears interest at $ LIBOR plus 1.75%. As of December 31, 2009, $130 million of this facility was outstanding (2008: $180 million).

In December 2008, Telemovil El Salvador S.A., entered into a $12 million 2 year loan with Banco Agrícola Comercial S.A. The loan bears interest at $ LIBOR plus 6%. As of December 31, 2009, $6 million of this facility was outstanding (2008: $12 million).

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

As at December 31, 2009 and 2008, there was no other debt or financing outstanding.

v) 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, 2009, $132 million (2008: $139 million) was outstanding under these facilities.

In December 2009, the company 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 31 December 31, 2009, $6 million outstanding under this facility.

vi) 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 $67 million, out of which $50 million is guaranteed by the Company.

Comcel also signed another 6 year facility with IFC for $100 million. As at December 31 2009, Millicom's share of the outstanding debt amounted to $19 million, bearing interest at $ LIBOR plus 4.50%.

In addition as at December 31, 2009, Comcel had other short term financing of $14 million (2008: $11 million).

vii) Honduras

Telefonica Celular S.A., Millicom's operation in Honduras, has facilities with several local banks maturing between 2010 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, 2009 between 7.75% and 11% (2008: between 7.4% and 16%). As at December 31, 2009, Millicom's share of the outstanding debt under these facilities was $100 million (2008: $91 million).

viii) Bolivia

In December 2007, Telefonica Celular de Bolivia SA ("Telecel Bolivia"), Millicom's operation in Bolivia, signed a financing agreement for $40 million with the Nederlandse Financieringsmaatschappij Voor Ontwikkelingslanden, N.V. (FMO), also known as the Netherlands Development Finance Company. The A tranche of $20 million was provided directly by the FMO. This tranche is repayable over 7 years and bears an interest at $ LIBOR rate plus 2.25%. The B tranche of $20 million is provided equally by Nordea and Standard bank. This tranche is repayable over 5 years and bears interest at $ LIBOR plus 2%. Both tranches are guaranteed by the Company. As of December 31, 2009, $35 million of this financing agreement was outstanding (2008: $40 million).

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

In addition to the above, Telecel Bolivia also had supplier financings with Huawei (at interest rates of $ LIBOR plus 2%) and FPLT totaling $26 million (2008: $32 million) and $13 million of other debt and financing outstanding as at December 31, 2009 (2008: $1 million).

### 26. BORROWINGS continued

ix) Chad
In May and August 2007, Millicom's operation in Chad signed respectively a $31 million 5 year Facility with China Development Bank at $ LIBOR +2% and a Euro15 million 5 year Facility with Proparco at Euribor +2%. As at December 31, 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 Société Générale Cameroun and Financial Bank priced at a fixed rate of 7%, fully guaranteed by the Company. At the same date, Millicom Chad signed a XAF21 billion 5 year Subordinated Facility with Société Générale Tchad priced TIAO +1.85% and guaranteed by Nordea. This guarantee is secured by a pledged deposit of $53 million by the Company (see note 18). As at December 31, 2009 $13 and $46 million respectively were outstanding under these facilities.

x) Democratic Republic of the Congo
In September 2006, Oasis S.P.R.L. ("Oasis"), Millicom's operation in the Democratic Republic of the 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, 2009, $75 million was outstanding under this facility (2008: $59 million).

In addition Oasis had other debt and financing of $4 million (2008: $4 million).

xi) Senegal
In December 2005, Sentel GSM, Millicom's operation in Senegal entered into a XAF12,500 million loan agreement with Crédit Lyonnais Sénégal ("CLS"). This loan bears a fixed interest rate of 8% and is fully repayable at maturity, in December 2010. The outstanding amount in US$ as at December 31, 2009 was $27 million (2008: $26 million). Sentel GSM also entered into a 5 year additional tranche of XAF7,500 million with CLS in July 2007. This tranche bears an 8.5% fixed interest rate. The outstanding amount under this additional tranche in US$ as at December 31, 2009 was $10 million (2008: $14 million).

In addition as at December 31, 2009, Senegal had $13 million (2008: nil) of vendor financing with Nokia Siemens.

xii) Paraguay
In July 2008, Telefonica Celular del Paraguay, Millicom's operation in Paraguay, entered into a $107 million, 8 year loan with the European Investment Bank ("EIB"). The loan is bearing interest at $ LIBOR plus 0.125%. The outstanding amount as at December 31, 2009 and 2008 was $50 million. The EIB is guaranteed for commercial risks by a group of banks.

In addition as at December 31, 2009, Telefonica Cellular Del Paraguay had $10 million (2008: $14 million) of other debt and financing outstanding.

Fair value of financial liabilities
Borrowings are recorded at amortized cost. The fair value of borrowings as at December 31, 2009 and 2008 is as follows:

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| 10% Senior Notes | **474,523** | 418,223 |
| Other debt and financing | **1,878,112** | 1,706,988 |
| Fair value of total debt | **2,352,635** | 2,125,211 |

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).

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## 26. BORROWINGS continued

### 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, 2009 and 2008. Amounts covered by bank guarantees are recorded in the consolidated balance sheets under the caption "Other debt and financing" and amounts covered by supplier guarantees are recorded under the caption "Trade payables" or "Other debt and financing" depending on the underlying terms and conditions.

**As of December 31, 2009**

| | Bank and other financing guarantees[i] | |
|---|---|---|
| **Terms** | **Outstanding exposure US$ '000** | **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** |

**As of December 31, 2008**

| | Bank and other financing guarantees[i] | |
|---|---|---|
| Terms | Outstanding exposure US$ '000 | Maximum exposure US$ '000 |
| 0-1 year | 233,077 | 240,000 |
| 1-3 years | 22,830 | 32,998 |
| 3-5 years | 353,012 | 415,558 |
| More than 5 years | 102,902 | 194,022 |
| **Total**[ii] | 711,821 | 882,578 |

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

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit or guarantees issued by the Company as at December 31, 2009 is $1,172 million (2008: $1,313 million). The assets pledged by the Group for these debts and financings at the same date amount to $610 million (2008: $610 million).

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

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

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Non-current legal provisions (note 31) | **6,461** | 6,957 |
| Long-term portion of asset retirement obligations | **76,217** | 55,167 |
| Other | **5,464** | 7,884 |
| **Total** | **88,142** | 70,008 |

Included in non-current legal provisions are litigation contingencies of $2 million (2008: $3 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:

| | 2009 US$ '000 | 2008 US$ '000 |
|---|---|---|
| Deferred revenues | **91,365** | 79,670 |
| Revenue sharing in Cambodia | **–** | 21,449 |
| Customer deposits | **9,134** | 6,709 |
| Current legal provisions (note 31) | **3,053** | 3,006 |
| Asset retirement obligations | **–** | 209 |
| Unpaid portion of license fees | **–** | 1,584 |
| Other tax payables | **64,806** | 50,703 |
| Current provisions[(i)] | **28,785** | 26,727 |
| Other | **13,242** | 17,049 |
| **Total** | **210,385** | 207,106 |

(i) Includes tax and other contingencies for $19 million (2008: $24 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 $18 million (2008: $24 million) has been recorded within "Other current assets".

### 28. DIVIDEND PAYABLE

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 (2008: nil). 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 (the "Board") comprises of an annual fee and share based compensation. Up until May 2006, the Directors were issued share options. Subsequent to May 2006, the Directors are issued restricted shares. The annual fee and the share based compensation grants are proposed by the Board and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

The remuneration charge for the Board for the years ended December 31, 2009, 2008 and 2007 was as follows:

| | Chairman | | Other members of the Board | | |
|---|---|---|---|---|---|
| | No. of shares and share options | US$ '000 | No. of shares and share options | US$ '000 | Total US$ '000 |
| **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 |
| **2007** | | | | | |
| Fees | 82 | | 305 | 387 | |
| Share based compensation:[i] | | | | | |
| Restricted shares[ii] | 960 | 82 | 4,074 | 350 | 432 |
| **Total** | | 164 | | 655 | 819 |

(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 Board as at December 31, 2009 and 2008 was as follows:

| | Chairman | Other members of the Board | Total |
|---|---|---|---|
| **2009** | | | |
| Shares | 29,969 | 76,292 | 106,261 |
| Share options | 20,000 | 55,000 | 75,000 |
| **2008** | | | |
| Shares | 28,528 | 71,619 | 100,147 |
| 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 have been 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") has been proposed by the Compensation Committee and approved by the Board and the annual base salary and other benefits of the previous Chief Operating Officer ("COO") and the Chief Financial Officer ("CFO") have been set by the CEO and approved by the Board.

## 29. DIRECTORS' AND OFFICERS' REMUNERATION continued

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 exists.

The remuneration charge for the Officers for the year ended December 31, 2009, 2008 and 2007 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 |
|---|---|---|---|---|---|
| **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)** (iv) | **–** | **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 |
| **2007** | | | | | |
| Base salary | – | 2,351 | 629 | – | 690 |
| Bonus (iii) | – | 2,008 | 547 | – | 500 |
| Pension | – | – | – | – | 83 |
| Other benefits | – | – | 138 | – | – |
| **Total** | – | 4,359 | 1,314 | – | 1,273 |
| Share based compensation: (i) | | | | | |
| Shares issued/charge under long term incentive plans (ii) | – | 2,076 | 850 | – | 539 |
| Charge for share options | – | 104 | 54 | – | 171 |

(i) See note 24.
(ii) Share awards of 33,131 and 12,606 were granted in 2009 under the 2009 LTIP to the CEO and CFO. Share awards of 45,074, 22,812 and 18,266 were granted in 2008 under the 2008 LTIP to the CEO, COO and CFO. Share awards of 62,381, 25,434 and 16,189 were granted in 2007 under the 2007 LTIP to the CEO, COO and CFO. Share awards at target performance of 42,634, 16,409 and 10,952 were granted in 2007 under the 2006 LTIP to the CEO, COO and CFO. The maximum shares to be issued under the 2006 LTIP was 132% of these awards.
(iii) $1 million of the 2007 bonus was settled in Millicom shares, by issuing 6,878 shares to the CEO, 2,609 shares to the COO and 1,713 shares to the CFO.
(iv) 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 the senior management as at December 31, 2009 and 2008 was as follows:

| | Chief Executive Officer | Chief Operating Officer | Chief Financial Officer | Total |
|---|---|---|---|---|
| **2009** | | | | |
| Shares | **607,404** | **–** | **–** | **607,404** |
| Share options | **15,040** | **–** | **–** | **15,040** |
| Share awards not vested | **81,377** | **–** | **17,106** | **98,483** |
| **2008** | | | | |
| Shares | 1,695,175 | 592,308 | – | 2,287,483 |
| Share options | 30,000 | 15,040 | – | 45,040 |
| Share awards not vested | 146,678 | 63,342 | 4,500 | 214,520 |

### 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, 2009, 2008 and 2007.

| | **2009 US$ '000** | 2008[(i)] US$ '000 | 2007[(i)] US$ '000 |
|---|---|---|---|
| Investing activities | | | |
| Acquisition of property, plant and equipment (see note 16) | **(45,399)** | (42,069) | (23,041) |
| Asset retirement obligations (see note 16) | **(24,209)** | (11,987) | (14,763) |
| Financing activities | | | |
| Vendor financing and finance leases (see note 16) | **45,399** | 42,069 | 23,041 |
| Shares issued as payment of bonuses (see note 29) | **–** | – | 1,000 |
| Share based compensation (see note 24) | **10,175** | 13,619 | 19,228 |

(i) Figures for 2008 and 2007 have been adjusted, excluding Millicom operations in Sierra Leone, Cambodia, Laos and Sri Lanka.

## 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 is involved in discussions regarding taxation, interconnect, license renewals and tariffing arrangements, which can have a significant impact on the long-term economic viability of its operations.

### Litigation
The Company and its operations are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of December 31, 2009, the total amount of claims against Millicom's operations was $48 million (December 31, 2008: $70 million) of which $11 million (December 31, 2008: $3 million) relate to joint ventures. As at December 31, 2009, $10 million (December 31, 2008: $10 million) has been provided for these claims in the consolidated balance sheet. Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group's financial position and operations.

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## 31. COMMITMENTS AND CONTINGENCIES continued

Sentel GSM S.A. ("Sentel") license
The Sentel license to provide mobile telephony services in 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 Senegal against Millicom and Sentel and has sought court approval for the revocation of Sentel's license and sought damages against Sentel and Millicom. Millicom believes that the action filed by the Republic of Senegal is baseless and also ignores the agreement between Sentel and the Republic of Senegal to submit any dispute concerning the license to an international arbitration forum.

### Lease commitments

### Operating Leases:

The Group has the following annual operating lease commitments as of December 31, 2009 and 2008.

| | | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|---|
| Operating lease commitments | | | |
| Within: | one year | **66,223** | 43,113 |
| Between: | one to five years | **226,289** | 140,581 |
| After: | five years | **139,894** | 143,644 |
| **Total** | | **432,406** | 327,338 |

The operating leases comprised 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 $73 million in 2009 (2008: $59 million, 2007: $42 million – see note 10).

### Finance leases:

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

### Capital commitments

As of December 31, 2009 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 $186 million (2008: $539 million), of which $35 million (2008: $57 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 $274 million and remains until the time the total support from Millicom equals the support from the founding shareholders of Colombia Móvil S.A.

## 31. COMMITMENTS AND CONTINGENCIES continued

### Contingent assets
Due to the late delivery by suppliers of network equipment in various operations, Millicom is entitled to compensation. This compensation is in the form of discount vouchers on future purchases of network equipment. The amount of vouchers received but not recognized as they had not yet been used as at December 31, 2009 was $5 million (2008: $26 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.

### Foreign currency forward contracts
As of December 31, 2009, the Group held foreign currency forward contracts to sell Colombian Pesos in exchange for United States Dollars for nominal of $40 million. These contracts were signed close to the year end and, as a result, their impact on Millicom's consolidated financial statements were immaterial.

## 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, 2009 and 2008, Kinnevik owned approximately 35% of Millicom.

During 2009 and 2008, Kinnevik did not purchase any Millicom shares.

### Services purchased and sold to related companies
For the year ended December 31, 2009 the Group made purchases for an amount of $1 million (2008: $3 million; 2007: $4 million) and had outstanding balances as at December 31, 2009 of $1 million (as at December 31, 2008: $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, 2009 and 2008, Millicom had no receivables from related parties.

## 33. FINANCIAL RISK MANAGEMENT

### Terms, conditions and risk management policies

Exposure to interest rate, foreign currency, liquidity and credit risks arises in the normal course of Millicom's business. The Group analyzes each of these risks individually as well as on an interconnected basis and defines strategies to manage the economic impact on the Group's performance in line with its financial risk management policy. Some of 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

The interest rate risk generally arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to the risk for changes in market interest rates relates to both of the above. To manage the risk, the Group's policy is to maintain a combination of fixed and floating rate debt in which neither category of debt falls below 25% of the total debt. The Group actively monitors its borrowings to ensure the compliance with this policy and applies a dynamic interest rate hedging approach whereby 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, 2009, approximately 24% of the Group's borrowings are at a fixed rate of interest (2008: 26%).

To comply with internal policies, in January 2010 Millicom entered into a interest rate swap (see note 35) 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 of $100 million, with maturity January 2013. If Millicom had entered into the swap agreement on December 31, 2009, 28% of the Group's borrowings would have been at a fixed rate of interest.

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

| | 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|
| | | | Amounts due within (in thousands of U.S. Dollars, except percentages) | | | | |
| Fixed rate | 96,881 | 5,667 | 5,225 | 455,075 | 656 | 779 | 564,283 |
| 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 |
| 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** |
| Average nominal interest rate | 6.2% | 5.7% | 5.8% | 8.7% | 5.0% | 3.6% | 6.6% |

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

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

A one hundred basis point fall or rise in market interest rates for all currencies in which the group had borrowings at December 31, 2009, would increase or reduce profit before tax from continuing operations for the year by approximately $18 million (2008: $16 million).

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

The following table summarizes our debt detailing the balances at December 31, 2009 and 2008, that were denominated in US$ and in other local currencies.

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Colombia | **508,904** | 456,356 |
| Senegal | **121,766** | 58,309 |
| Tanzania | **72,553** | 74,536 |
| Guatemala | **31,819** | – |
| Other | **41,320** | 102,332 |
| Total local currency | **776,362** | 691,533 |
| **Total** | **2,346,887** | 2,158,026 |

At December 31, 2009, 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 $82 and $90 million respectively (2008: $41 and $45 million respectively). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with functional currencies other than US dollar. The increase in the effect of a change in the rate of the US$ between 2009 and 2008 is mainly as a result of the increase in the size of the Group and the increase in debt denominated in other than local currencies.

The change of the US$ against the functional currencies of Millicom's operation in Honduras has not been considered as these currencies have been closely linked to US$ in the recent years.

### Credit risk

Financial instruments that potentially subject the Group to credit risk are primarily cash and cash equivalents, pledged deposits, letters of credit, trade receivables, amounts due from joint venture partners, supplier advances and other current assets. The counter parties to the agreements relating to the Group's cash and cash equivalents, pledged deposits and letters of credit are significant financial institutions with investment grade ratings. Management does not believe there is a significant risk of non-performance by these counter parties.

A large portion of the turnover is made of prepaid airtime. For customers for which telecom services are not prepaid, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Accounts receivables are mainly derived from the balances towards other telecom operators. The credit risk towards the other telecom operators is limited due to the regulatory nature of the telecom industry, in which licenses are normally only issued to credit worthy companies. The Group maintains a provision for impairment of trade receivables based upon the expected collectability of all trade receivables.

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

## 33. FINANCIAL RISK MANAGEMENT continued

### Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has incurred significant indebtedness but also has significant cash balances. Millicom evaluates its ability to meet its obligations on an ongoing basis using a recurring liquidity planning tool. This tool considers the operating net cash flows generated from its operations and the future cash needs for borrowing and interest payments and the capital and operating expenditures required to maintain and develop local businesses.

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

The tables below summarize the maturity profile of the Group's net financial liability at December 31, 2009 and 2008.

| | **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 | **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)** |

| | Less than 1 year US$ '000 | 1 to 5 years US$ '000 | > 5 years US$ '000 | Total US$ '000 |
|---|---|---|---|---|
| **Year ended 31 December 2008** | | | | |
| Total borrowings (see note 26) | (496,544) | (1,573,444) | (88,038) | (2,158,026) |
| Cash and cash equivalent | 674,195 | – | – | 674,195 |
| **Net cash (debt)** | **177,651** | **(1,573,444)** | **(88,038)** | **(1,483,831)** |
| Future interest commitments (i) | (169,116) | (408,065) | (10,980) | (588,161) |
| Trade payables (excluding accruals) | (524,557) | – | – | (524,557) |
| Other financial liabilities (including accruals) | (634,563) | – | – | (634,563) |
| Trade receivables | 257,455 | – | – | 257,455 |
| Other financial assets | 270,456 | 23,195 | – | 293,651 |
| **Net financial liability** | **(622,674)** | **(1,958,314)** | **(99,018)** | **(2,680,006)** |

(i) Include 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. No changes were made in the objectives, policies or processes during the years ended December 31, 2009 and 2008.

### 33. FINANCIAL RISK MANAGEMENT continued

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

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Net debt | **722,935** | 1,483,831 |
| Adjusted operating profit (see note 9) | **1,545,459** | 1,366,165 |

| | **Ratio** | **Ratio** |
|---|---|---|
| Net debt to adjusted operating profit ratio | **0.5** | 1.1 |

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

| | **2009 US$ '000** | 2008 US$ '000 |
|---|---|---|
| Net debt | **722,935** | 1,483,831 |
| Equity | **2,383,803** | 1,677,918 |
| Net debt and equity | **3,106,738** | 3,161,749 |
| Gearing ratio | **23%** | 47% |

## 34. FINANCIAL INSTRUMENTS

The following table shows the carrying and fair values of Millicom's financial instruments, split by category, as of December 31, 2009 and 2008:

| | **Carrying value** | | Fair value | |
|---|---|---|---|---|
| | **2009 US$ '000** | 2008 US$ '000 | **2009 US$ '000** | 2008 US$ '000 |
| **FINANCIAL ASSETS** | | | | |
| **Loans and receivables** | | | | |
| Pledged deposits | **53,333** | 6,172 | **53,333** | 6,172 |
| Other non-current assets | **7,965** | 17,023 | **7,965** | 17,023 |
| Trade receivables, net | **224,708** | 257,455 | **224,708** | 257,455 |
| Amounts due from joint venture partners | **52,590** | 40,228 | **52,590** | 40,228 |
| Prepayments and accrued income | **65,064** | 82,303 | **65,064** | 82,303 |
| Other current assets | **58,159** | 87,859 | **58,159** | 87,859 |
| **At fair value through proft and loss** | | | | |
| Time deposit | **50,061** | – | **50,061** | – |
| Cash and cash equivalents | **1,511,162** | 674,195 | **1,511,162** | 674,195 |
| **Total** | **2,023,042** | 1,165,235 | **2,023,042** | 1,165,235 |
| Current | **1,961,744** | 1,142,040 | **1,961,744** | 1,142,040 |
| Non-current | **61,298** | 23,195 | **61,298** | 23,195 |
| **FINANCIAL LIABILITIES** | | | | |
| **Financial liabilities at amortized cost** | | | | |
| Debt and financing (see note 26) | **2,346,887** | 2,158,026 | **2,352,635** | 2,125,211 |
| Other trade payables | **194,691** | 240,576 | **194,691** | 240,576 |
| Amounts due to joint venture partners | **52,180** | 49,921 | **52,180** | 49,921 |
| Accrued interest and other expenses | **173,609** | 159,539 | **173,609** | 159,539 |
| Dividend payable | **134,747** | – | **134,747** | – |
| Other liabilities | **13,806** | 16,177 | **13,806** | 16,177 |
| **Total** | **2,915,920** | 2,624,239 | **2,921,668** | 2,591,424 |
| Current | **998,348** | 954,872 | **998,348** | 954,872 |
| Non-current | **1,917,572** | 1,669,367 | **1,923,320** | 1,636,552 |

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 following methods and assumptions were used to estimate the fair values: 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 value of the 10% Senior Notes has been valued by a primary financial institution; the fair values of all other debt and financing has been valued by the Group based on future cash flows.

Effective January 1, 2009, Millicom adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet 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).

Millicom's financial instruments at fair value through the profit and loss are measured with reference to the level 1 of above.

## 35. SUBSEQUENT EVENTS

### Interest rate swap agreement

In January 2010, Millicom entered into a 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 of $100 million, with maturity in January 2013.

### Sale and lease back agreement

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. The agreement marks Millicom's first outsourcing of passive infrastructure and is consistent with Millicom's strategy of improving both our capital and operating efficiency by focusing on our core activities.

### Revenue sharing agreement in Cambodia

In February 2010, Millicom gave notice to the government of Cambodia that it is evaluating the possibility of making a claim against the government in an international arbitration forum. The primary basis of any such claim would involve the discriminatory and inequitable revenue share charged by the government contrary to relevant contractual, national and international law obligations during the period of our ownership of the Cambodian operations.

### Dividend

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.

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**Financial Calendar**
April 20, 2010
First quarter results

May 25, 2010
Annual General Meeting

July 20, 2010
Second quarter results

October 19, 2010
Third quarter results

February 2011
Full year results 2010