Millicom
International
Cellular S.A.

Annual report and accounts 2008

Highlights 2008

Millicom is a company that manages to combine high growth with strengthening profitability and cash flow.

- Highlights 2008
- The Chairman's and Chief Executive's review

Overview

Millicom International Cellular is a global emerging markets mobile communications operator. Our technical capabilities are backed by over 25 years of demonstrably successful initiatives worldwide and an excellent service provided in 18 emerging markets.

- Millicom's Vision and Mission
- Millicom's triple A strategy
- Business at a glance
- Global footprint
- Executive Team

Review of operations

With operations on three continents, Millicom is one of very few mobile telephony companies with a global emerging market presence, giving us economies of scale and the ability to apply the best practices found in each market across all of our operations.

- Central America
- Amnet
- South America
- Africa
- Asia

Overview

Millicom International Cellular is a global emerging markets mobile communications operator.

Our technical capabilities are backed by over 25 years of demonstrably successful initiatives worldwide and an excellent service provided in 18 emerging markets.

In 14 of them we operate under the Tigo brand, which embodies the values of Affordability, Accessibility and Availability that are crucial to our commercial and financial success.

Millicom'sVision

People enjoying access to their world

We create ´a world where mobile services are affordable, accessible and available everywhere and to all.´

Millicom's Mission

We provide services for people who want to stay in touch, to belong to communities and to be informed and entertained, enabling them to express their emotions and enhance their lives.

We deliver the three A´s:

Affordability, Accessibility and Availability, by providing affordable services, ease of purchase and good coverage. We focus on consistently meeting and exceeding customers' expectations and developing an ´aspirational´ brand

Millicom's triple A strategy

The three A's of our strategy – Affordability, Accessibility and Availability – are vital and inter-dependent ingredients that are needed to sell mobile services successfully in emerging markets.

Affordability

Affordability does not just mean offering competitive prices but also having prepaid payment terms in low denominations so that the services are suitable for low-income customers and represent the best value for money.

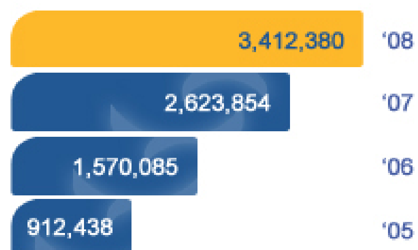
Accessibility

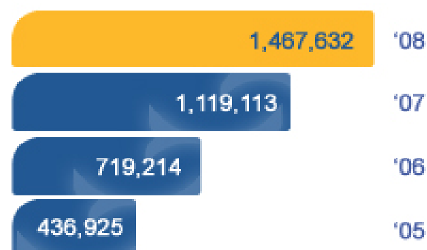
Accessibility means providing easy access to prepaid services. We achieve this through our mass-market distribution network, which takes into account where customers live and their daily work routines.

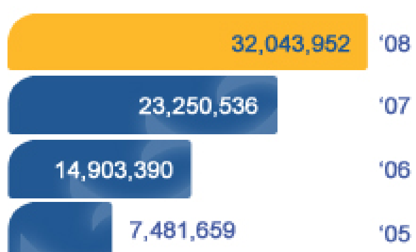
Availability

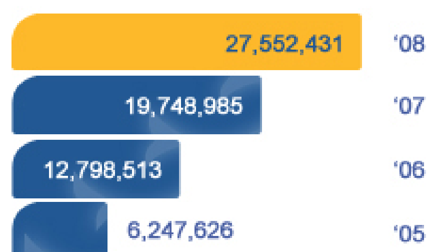
Availability means having an extensive network with sufficient capacity so that mobile services are readily available to our customers in as many locations as possible.

Highlights 2008









- Revenue growth of 30% year-on-year
- Improvement in profitability and an EBITDA margin of 43%, close to the Group target
- Net profit* of $517 million, up 36%
- Total capex of $1.4 billion for the full year, reflecting substantial opportunities for growth
- Net debt to full year EBITDA ratio of 1, enabling significant continuing investment
- Cash upstreaming of $543 million
- 8.8 million subscribers added in 2008
- Acquisition of Amnet, the cable and broadband business in Central America
- Third national license acquired in Rwanda
- Launch of 3G across Latin America

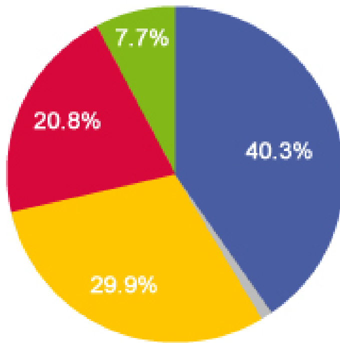
*excluding one-off items

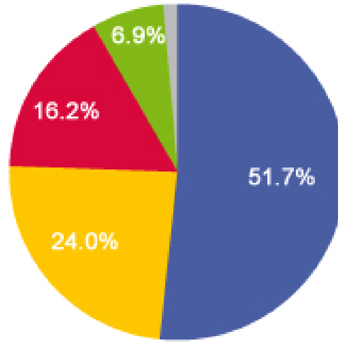
Business at a glance

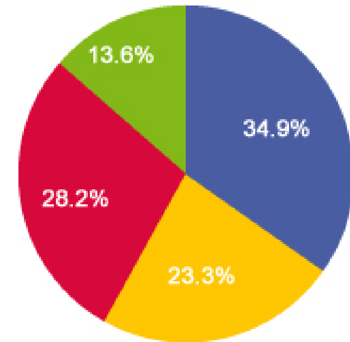
Millicom is a company that manages to combine high growth with strengthening profitability and cash flow. We are present in 18 countries with a combined population of 304 million.

With operations on three continents, Millicom is one of very few mobile telephony companies with a global emerging market presence, giving us economies of scale and the ability to apply the best practices found in each market across all of our operations.

Group performance







Central America: 1,376,848 | 40.3%

Amnet: 43,015 | 1.3%

South America: 1,019,332 | 29.9%

Africa: 711,366 | 20.8%

Asia: 261,819 | 7.7%

Total: 3,412,380 | 100%

Central America: 759,012 | 51.7%

Amnet: 18,048 | 1.2%

South America: 351,526 | 24.0%

Africa: 237,580 | 16.2%

Asia: 101,466 | 6.9%

Total: 1,467,632 | 100%

Central America: 11,181,251 | 34.9%

South America: 7,460,771 | 23.3%

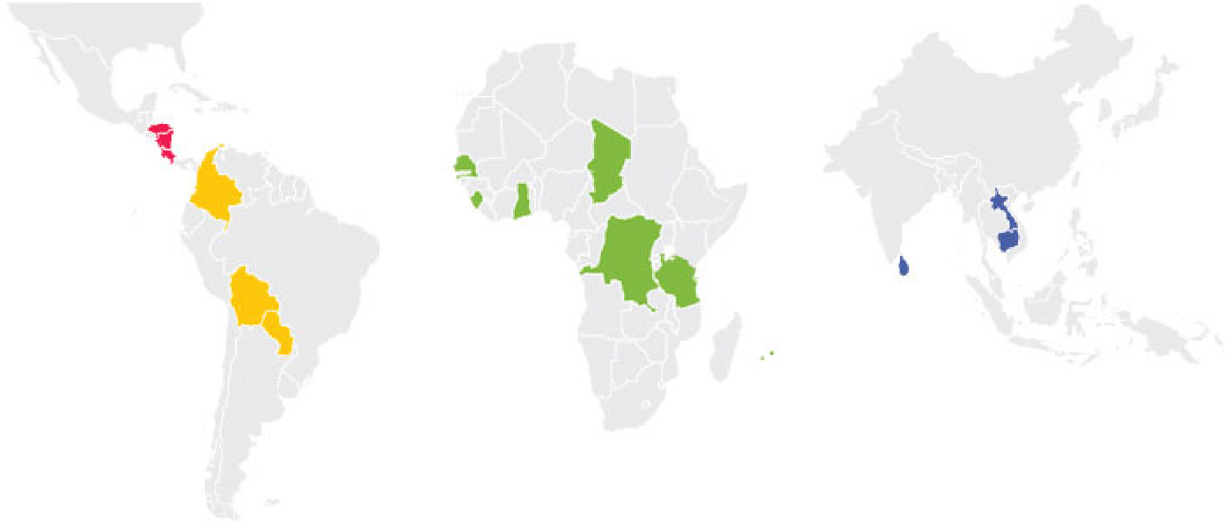
Africa: 9,048,652 | 28.2%

Asia: 4,353,278 | 13.6%

Total: 32,043,952 | 100%

Global footprint

Diversified emerging market operator with a global footprint...



Total pops under mobile license: 294 million

Central America

Central America: 28 million

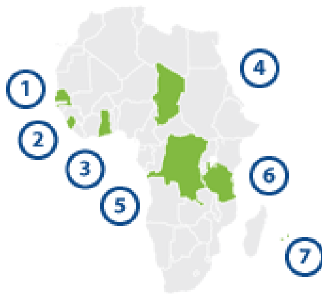
1. El Salvador 7 million
   - Ownership: 100%
   - #1 of 5
   - 2.5m subscribers
2. Guatemala 13 million
   - Ownership: 55.0%
   - #1 of 3
   - 4.4m subscribers
3. Honduras 8 million
   - Ownership: 66.7%
   - #1 of 4
   - 4.2m subscribers

Amnet: 38 million

1. Costa Rica 4 million
2. El Salvador 7 million
3. Guatemala 13 million
4. Honduras 8 million
5. Nicaragua 6 million

South America: 61 million

1. Bolivia 9 million
   - Ownership: 100%
   - #2 of 3
   - 1.4m subscribers
2. Colombia 45 million
   - Ownership: 50% + 1 share
   - # 3 of 3
   - 3.3 million subscribers
3. Paraguay 7 million
   - Ownership: 100%
   - #1 of 4
   - 2.7m subscribers

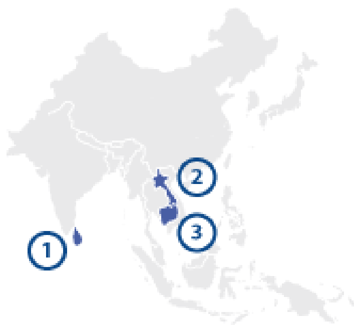


Africa: 163 million*

1. Chad 10 million
   - Ownership: 87.5%
   - #2 of 2
   - 0.5 m subscribers
2. DR Congo 66 million
   - Ownership: 100%
   - #3 of 5
   - 1.0 m subscribers
3. Ghana 23 million
   - Ownership: 100%
   - #2 of 4
   - 2.9m subscribers
4. Mauritius 1 million
   - Ownership: 50%
   - #2 of 3
   - 0.4 m subscribers
5. Senegal 13 million
   - Ownership: 100%
   - #2 of 2
   - 1.9 m subscribers
6. Sierra Leone 6 million
   - Ownership: 100%
   - Asset held for sale
7. Tanzania 40 million
   - Ownership: 100%
   - #3 of 6
   - 2.3m subscribers

Rwanda 10 million
   - Ownership: 87.5%
   - License acquired in November 2008

*includes license in Rwanda, not yet operational and excludes Sierra Leone, an asset held for sale



Asia: 42 million

1. Cambodia 14 million
   - Ownership: 58.4%
   - #1 of 6
   - 2.1m subscribers
2. Laos 7 million
   - Ownership: 74.1%
   - #3 of 4
   - 0.2m subscribers
3. Sri Lanka 21 million
   - Ownership: 100%
   - # 2 of 4
   - 2.0 million subscribers

The Chairman's and the Chief Executive's review

Driving growth in emerging markets

Millicom is today one of the fastest growing cellular operators in emerging markets and we believe we can continue to grow more rapidly than our competitors. Our ability to take or hold market share is made possible by our inherent culture of cost control, innovation and our successful marketing oriented strategy that is specifically tailored to emerging markets and has become embodied in our Tigo brand. Tigo today is known to represent Affordability, Accessibility and Availability, the three pillars of our 'Triple A' business strategy, which are real product differentiators in the market place.

The emerging markets in which we operate provide us with the continued opportunity to develop and grow our businesses as they represent a total population under mobile license of close to 300 million. Today our markets have an average mobile penetration of just above 40% and our proven 'Triple A' strategy, together with our ability to attract customers through our 'aspirational' products and services and original promotions, will continue to allow us to exploit the fast rising penetration rates in Africa and Asia in the coming years. In Latin America penetration is today above 70% in the majority of our markets which inevitably means that we need to accelerate the pace of innovation in order to continue to drive growth.

Value-added services

Our aim is to drive growth by getting ever closer to our customers through our consumer insight and by providing new, targeted "Value Added Services" (VAS), data and broadband services to meet their needs. In 2008, we launched 3G services across all our businesses in Latin America and we trialed our mobile prepayment system, 'Tigo Cash', in Paraguay. VAS is an extremely important business driver for Millicom, contributing 13% of Group revenues in 2008 and growing by 90% in absolute terms year on year. Our VAS offering in 2008 included Ring Back Tones, content services and community services such as 'Gift and Collect', allowing a customer to pay for an outgoing SMS and its reply, 'Balance Transfer', allowing the transfer of a customer's remaining balance to another subscriber and 'Give me Balance' and 'Call me Back', enabling customers to continue communicating even when they are unable to reload their balance. In the less developed markets in Africa and Asia we will continue to focus on increasing market share by providing affordability in predominantly voice services and also by marketing VAS to specific market segments.

The year in review

For the year to December 2008 we produced subscriber growth of 38% and sector leading revenue growth of 30%. Our profitability improved over the year, with a 219 basis points increase in the second half and a margin for the full year of 43%, close to our target for the Group of 45%, which we reached in the fourth quarter. Our net profit excluding one-off items in 2007 and 2008, namely Paktel, Colombian deferred taxes and Sierra Leone, increased by 36%.

These results were achieved despite the headwind of a strongly appreciating dollar in a number of our markets during the second half of year which was a reflection of an uncertain economic climate. The impact on our businesses of the strong dollar against local currencies is set to continue into 2009. We have already taken action, in terms of lowering capex and opex, to ensure that we are well positioned to meet the potential challenges engendered by the macro economic environment and the stronger margin reported in Q4 is a reflection of those changes.

In 2008 we continued to increase capital expenditure to a peak in our investment cycle which has seen investment rise from US$ 616 million in 2006, to US$ 1 billion in 2007 and US$ 1.4 billion in 2008. In 2009 we are forecasting investment of under US$ 1 billion as we have substantially built out geographic coverage in Latin America so that today the bulk of investment is in Africa and Asia. We expect our capex to sales ratio to fall going forward, reflecting the fact that today we have substantial networks and given that there may be opportunities to increase infrastructure sharing in the future. Despite the challenging macro economic environment we are still targeting returns on our investment in excess of 20%, and we will continue to invest only when we can achieve these returns.

Latin America

In Latin America we have selectively reduced promotions as we have increased our focus on the more active and loyal revenue generating customers. Today operators recognize that subscriber growth is cumulatively slower due to the higher penetration rates in Latin America which means that these markets will now grow at a more moderate pace and in this environment we will focus more on our revenue share and our margin. VAS and broadband services will be profitable areas of expansion for our business as they enable us to attract better segments of subscribers. We do however expect to see an increase in subscriber growth for Tigo in Colombia as we continue to offer innovative products and services and enhance our distribution channels and networks and as, over time, we expect to benefit from a more favorable regulatory environment.

Amnet, our recently acquired fixed broadband business in Central America, is performing in line with our expectations. Amnet has an extensive HFC (Hybrid Fiber-Coax) network passing 1.2 million homes as at the end of 2008. We have restructured the business to improve the focus on sales, marketing and customer service which we believe are key drivers to expand broadband usage amongst our existing pay TV customers and we continue to introduce best practices developed in our cellular businesses across all functions. We believe that broadband in a wider sense, i.e. irrespective of connection technology, is an important growth opportunity in Central America. The broadband strategy allows us to leverage our assets in networks, systems and technology, our competence in marketing and regulatory issues as well as our strong presence in the communities of our most important markets.

Africa and Asia

In Africa and Asia we continue to see the opportunity to maintain growth while improving margins especially in Africa where most of our businesses are now achieving the critical mass and scale which are necessary to improve profitability going forward. We also continue to focus on our pioneering Territory Management and our Distribution Management Systems as means of getting closer to our customers and reducing operating costs by achieving greater efficiency from more streamlined distribution networks.

Financial Management

In 2009 we are moving into a new phase for the company as we expect to become free cash flow positive for the full year and to see free cash flow growing in subsequent years. This is the result of the improving operating margin and a declining capex to sales ratio going forward.

At the end of 2008 Millicom had an exceptionally strong balance sheet with low gearing, net debt of US$1.4 billion, a net debt to EBITDA ratio of approximately 1 times for the full year and cash and cash equivalents of US$700 million. Millicom's priority is to maintain sufficient balance sheet flexibility in what are difficult economic times so that we can continue to invest in the business and be prepared to exploit opportunities that may arise in the future. In terms of liquidity, Millicom is still able to borrow on good terms from both international and local banks as well as institutions and we continue to increase our borrowings at the local level as we move debt from the corporate level into the subsidiaries in order to improve our tax position - and reduce our forex exposure.

In 2008, Millicom continued to improve its reporting and again concluded that its internal control environment over financial reporting was effective in the third year of compliance under SOX for foreign registrants. This year Millicom has made many improvements in its operating processes and today is aligning itself with 'best-in-class' companies.

Executive Management

The process of strengthening our executive management team as part of the succession planning process continued in 2008 with the appointment of François-Xavier Roger as CFO and Carel Maasland as Chief of Tigo People / Head of Human Resources. We are focused on recruiting and retaining the best people in our operations and we have set up the Tigo Talent School to roll out cost effective, in-house training to our staff to encourage the cross-fertilization of ideas and to ensure that the expertise and knowledge of senior management is spread across the Group. We are also reviewing our organizational capabilities and increasing the responsibility and accountability of management in our operations to ensure that we have the optimal structure in place with which to service our markets.

In early 2009 Marc Beuls stood down after having been Chief Executive Officer of Millicom for eleven years and Mikael Grahne was appointed as his successor. Mikael Grahne has been Chief Operating Officer at Millicom since 2002 and, as a very strong internal appointment, represents continuity in management.

The Board wishes to thank Marc Beuls for his leadership and substantial contribution to the Company over the past eleven years as Chief Executive. He has been responsible for leading the management team through a period of extremely high growth to create the force that Millicom is today in emerging markets. We wish him every success in his future career.

Summary

Millicom's success in the last few years has been driven by heavy investment, our focus on innovation, cost control and the roll-out of our Triple 'A' strategy which is focused on making our services 'Affordable', 'Accessible' and 'Available' to our customers in emerging markets so that they can enjoy access to their world. This is Millicom's vision. Our successful execution and development of this strategy and our accelerating pace of innovation will bring opportunity to our customers, it will create economic growth in the countries in which we operate and it will bring excellent returns for our shareholders.

The outlook for Millicom is bright and although we will need to adapt in the short term to the current macro economic conditions, we believe that, as an innovative, cost effective operator, we will continue to outperform our competitors over time.

Daniel Johannesson
Chairman

Mikael Grahne
Chief Executive Officer

Executive Team

Mikael Grahne

President and Chief Executive Officer

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

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.

Osmar Coronel

Chief Officer Operations

Osmar Coronel was appointed Chief Officer Operations in 2008 with responsibility for Commercial Operations, Supply Chain Management and Operational Support. He was previously the Chief Technical Manager of Millicom's operations in Paraguay, before moving to Comcel, Millicom's operation in Guatemala, in 2002 and then serving as Chief Technical Officer since 2006. Prior to joining Millicom, he was a Division Manager of the Paraguay PTT. He was a former Fulbright Scholar (1992/93). Osmar Coronel has a degree in Electrical Engineering from the National University of Asuncion, Paraguay, a Masters degree in Electrical Engineering from Southern Illinois University in the US and currently he is an MBA candidate at Northwestern University's Kellogg School of Management in the US.

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 Asuncion, 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, Mr Romero worked as investment consultant for Interamerican Development Bank in Paraguay. He has a Bachelor's degree in Business Administration from National University, California, United States of America. He also holds a Master's degree in Business Management from EDAN in Asuncion, 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. Since 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 HR responsible for IKEA's emerging operations in Russia & the C.I.S. region. He holds an HR Master's degree from the Erasmus - Rotterdam School of Management.

Review of operations

CentralAmerica

El Salvador, Guatemala, Honduras

Population under license: 28 million

Subscribers: 11,181,251

SouthAmerica

Bolivia, Colombia, Paraguay

Population under license: 61 million

Subscribers: 7,460,771

Africa

Chad, Democratic Republic of Congo, Ghana, Mauritius, Rwanda*, Senegal, Sierra Leone**

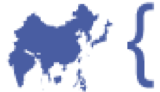
Population under license†: 163 million

Subscribers: 9,048,652

* License acquired in 2008

** Designated as an asset held for sale in 2008

† Includes Rwanda, excludes Sierra Leone



Asia

Cambodia, Laos, Sri Lanka

Population under license: 42 million

Subscribers: 4,353,278

Amnet

Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua.

Population under license: 38 million

Homes passed: 1,170,544

Read more about Amnet

Central America

"With high speed data capabilities added to the network, we can now offer the market a wider portfolio of content and data services."

Highlights

- EBITDA margin of 55% for 2008
- Stabilizing ARPU as a function of lower subscriber additions in highly penetrated markets
- 4 million subscriber mark reached in Honduras
- Roll-out of high speed 3G networks and launch of mobile broadband services
- Distribution Management System introduced in El Salvador and Honduras and ongoing installation in Guatemala

In 2008 the operating focus in Central America was on margin improvement in light of the more challenging macroeconomic conditions and as mobile penetration moves towards 100% in our markets. Central America reported an EBITDA margin of 55% in 2008, up two percentage points from 2007 as a result of initiatives to reduce costs and subsidiaries and because of our efforts to focus on the better and more loyal customers in the region. 2008 was also characterized by the deployment of high-speed 3G HSDPA networks across the region to enable Tigo to enter the mobile broadband business and take a share of this important segment. Central America continues to represent the lion's share of Millicom as a whole and in 2008 reported revenues of $1.4 billion, representing 40% of the Group total, and EBITDA of $759 million, 52% of the Group total.

Products and pricing

Tigo maintained its market leadership in Central America in 2008 thanks to efforts to consolidate its first mover advantage by emphasizing the affordability of its prepaid and post-paid offers, increasing the penetration of value added services (VAS), launching widely accepted promotions and expanding the Tigo brand through the introduction of new products. In addition, we have developed a system of target market segmentation, grouping users according to their habits of consumption. These initiatives give us a better understanding of our customers needs and enable us to provide better plans with an aim to improve loyalty and reduce churn.

In all three markets we removed the balance expiration date on prepaid airtime for customers who generate revenue with a 60 day period, giving them greater freedom of usage and we saw a reduction in the average monthly churn as a result. We also launched ´Mini Tariff´ promotions in each market, whereby, for a small monthly fee, the customer can register their top two or three Tigo numbers and call them at a very reduced tariff. In September, we launched an important promotion in Honduras offering calls to the USA and Canada for $0.02 after the first five minutes. By the end of the year, outgoing international minutes of use had increased by 20% as a result.

In terms of VAS, our "Gift and Collect" and "Give me Balance" offerings which were launched in 2007, continued to be extremely popular with our customers. These services allow customers to share their balance or send requests for balance to their friends via a simple handset to handset transaction and have contributed significantly to the strong growth in VAS revenue in 2008. A similar initiative is "Copy a Tune", which we launched in Honduras, El Salvador and Guatemala in June, expanding the options available to customers to purchase Ring-Back Tones. In El Salvador we launched a Christmas promotion called "Everybody Wins" where customers could claim prizes such as free SMS or balance by sending a text message. As a result SMS traffic grew and reloads increased by 13% in November and December. By the end of the year, VAS had grown by 66% in El Salvador, by 95% in Honduras and by 110% in Guatemala.

Postpaid customers represent a very important segment in Central America and in 2008 they benefitted from improved corporate plans with increased minutes, new bundled plans including minutes and unlimited internet and new roaming destinations.

Another very important development in terms of our product offering in 2008 was the launch of new nationwide 3G broadband and VAS services in each country. Our launch campaign focused on selling the experience rather than the technology and highlighted four main products: broadband internet, video calls, TV Tigo and music and downloads. These services are now available to all our subscribers, prepaid and post-paid alike, who can benefit from our highly trained and skilled customer service representatives in service centers across the region.

Visibility of Tigo

In 2008, points of sale increased by 30% in Central America and we ended the year with just under 186,000 as we continued strengthening our commercial alliances with large grocery and electronics stores, restaurants, gas stations and banks. Of this total, some 153,000 are e-PIN points of sale, reflecting the increase in e-PIN as a percentage of prepaid sales. In El Salvador, e-PIN accounted for 75% of prepaid sales at the end of the year and the proportions in Honduras and Guatemala were 67% and 70% respectively.

At these levels of e-PIN penetration, Millicom's Distribution Management System (DMS), which was introduced in El Salvador and Honduras in the fourth quarter, becomes a crucial tool for managing stock balances at each outlet. DMS helps us to improve our airtime supply through daily remote tracking of the distribution network. It provides us with knowledge of the real sales potential of each point of sale and therefore enables us to generate greater efficiencies in the sales channel, led by our territory managers.

We are increasingly using broadcasting and telemarketing methods to communicate with our customers which allow us to reduce expenditure on BTL marketing. In Guatemala for example, we provide a website through which dealers can reach every customer in their database for the purpose of communicating promotions. Our dealers have also created telemarketing teams in order to have direct contact with customers and this development has led to increased sales as well as adding a further level of customer service. Dealers are awarded with a performance bonus according to the number of points of sales in their database amongst other criteria.

Tigo USA, which was launched in 2007 in collaboration with major prepaid international calling card distributors, grew significantly in 2008 as new distribution channels were added. This service allows customers in the US to buy scratchcards and to reload friends and family members in our networks in Central America. It has proved to be an extremely popular service as it provides a very cost efficient means for international communication and for small money transfers.

Capacity and coverage

In the second half of the year we began a new campaign with the slogan "AQUI ESTOY", based on our promise to our subscribers that Tigo is everywhere. In accordance with this promise, we continued to invest in our networks to ensure that Tigo remains the leading operator in the region in terms of coverage and capacity.

Most significantly, we rolled out nationwide coverage for 3G HSDPA services, following a regional MIC Latin America tender and ensuring synchronized launches across the region. By adding the 3G network onto our existing infrastructure and within our existing frequencies, we were able to complete the roll out in a very cost effective manner. Tigo is now well positioned to become a key player in the broadband market.

Around 1,100 new cell sites were put into service in Central America in 2008 and we introduced a number of initiatives to reduce the cost of cell site maintenance. In Guatemala for example, we exchanged 24-hour diesel electric generators for over 600 commercial electricity extensions and we installed 10 solar cell systems as part of a pilot program to find and implement alternative power solutions. Renegotiation of vendor contracts has also given us greater control over network costs and contributed to a decrease in operating expenditure of around 50% in El Salvador.

The first phase of our rural fiber optic ring in El Salvador entered production in the fourth quarter. This will improve the quality and availability of our services in rural areas in terms of transmission and will produce significant cost savings which will be reflected in 2009.

Market developments

In the second and third quarters of 2008, new taxes were introduced on incoming international calls in Honduras and El Salvador, increasing the calling costs from overseas into these markets by 3 cents and 4 cents per minute respectively. This reduced the total international incoming minutes of calling, although overall minutes of use held up well, by promoting outgoing international services as well as more local on-net calling we successfully replaced these incoming minutes.

In January 2009, interconnect rates for both domestic and international calls in Honduras were cut to 6 cents. This change will have an impact on revenues in 2009 as we have a significant level of cross-net calls in Honduras. We anticipate a similar reduction in interconnect rates in El Salvador in 2009.

Competition increased in the region with the launch of a fourth operator in Honduras in November.

Outlook for 2009

The macroeconomic environment in Central America is currently challenging as remittances, which in the last few years have been a key driver of economic growth in the region, accounting for 15-20% of GDP in our markets, have recently seen a slow down in growth. In this environment, increased attention on cost control is required to ensure margin sustainability throughout the year.

Market dynamics have reached a point in Central America where subscriber base segmentation becomes more important than price competition and therefore we will continue to focus on segmented value propositions to respond to the different needs and demands of our various consumer groups. Our marketing plans and new products in 2009 will be specifically targeted towards these segments as we continue to focus on attracting the best and most loyal customers.

We will also continue to develop our value added services in 2009 and with the high speed data capabilities added to the network, we can now offer the market a wider portfolio of content and data services.

Through innovation in products and services, the continuous review of all our operating procedures and practices in search of efficiencies and a focus on attracting and retaining the best talent in the region through our "Employee of choice" initiatives, we are confident we can continue to enhance profitability in these maturing markets.

Amnet

"The opportunity for Millicom is to use Tigo's marketing skills to sell broadband services to existing cable customers and to provide a fixed element to our broadband offer."

Millicom acquired Amnet Telecommunications Holding Limited (Amnet) at the beginning of Q4 2008. Amnet is now a business with approximately 534 thousand revenue generating units (RGUs) across Central America with cable and broadband customers in El Salvador, Honduras and Costa Rica and smaller corporate data businesses in Guatemala and Nicaragua. Amnet also has fixed telephony customers in El Salvador and Honduras.

Millicom purchased Amnet for an enterprise value of $510 million, which was funded through a $230 million one-year bridge loan facility with two leading commercial banks and $280 million of cash.

Revenues increased by 15% in 2008, mainly driven by the broadband business and RGUs increased by 16% year on year. Amnet has an extensive HFC (62,000 Km of Hybrid Fiber-Coax) network with 1.2 million homes passed and today some 70% have two-way coaxial cable.

The opportunity for Millicom is to use Tigo´s marketing skills to sell broadband services to existing cable customers and to provide a fixed element to our broadband offer. Amnet has number one positions in its three main markets which will give Millicom critical mass in this important segment of the market, which we expect to be a major driver of growth going forward. Millicom is planning to outsource a number of functions to increase operating efficiency and to reduce operating costs in the coming years.

South America

"Given our aim to increase significantly the share of Value Added Services in our recurring revenue, we focused our marketing efforts and promotions towards the large ´young and cool´ market segment."

- EBITDA margin of 35% for 2008 and strengthening margin in Colombia
- Roll-out of high speed 3G networks and launch of mobile broadband services
- Strong growth in VAS and postpaid offering
- 877 new cell sites installed
- 5 points of market share gain in Paraguay

Highlights

For Millicom's South American operations, 2008 was characterized by a focus on four key areas; the launch of 3G services coupled with network expansion, strengthening of distribution channels, growth in value added services (VAS) and enhancing the postpaid offering. Revenues for South America were $1.0 billion, up 26% from 2007 but impacted in the second half of the year by the devaluation of local currencies against the dollar, partly as a result of the fall in prices of agricultural commodities. EBITDA was $352 million, up 27% and the EBITDA margin was 35%, up one percentage point from 2007, but up more strongly in the third and fourth quarters, reflecting the benefit of our initiatives to reduce costs across the businesses and helped by the improved EBITDA margin in Colombia which was 17% in Q4.

Products and pricing

Our South American operations continued to drive the affordability of services through price reductions and promotions to maintain the market perception of Tigo as a price leader. In Bolivia, we reduced the e-PIN denomination recharge to 1 Boliviano (US$0.15) while our competitors have a 5 Boliviano minimum recharge. We expect them to follow our lead however and bring their prices down in the coming months. In Colombia, we launched a US$0.25 recharge, the lowest denomination recharge available in the market and we offer the best tariff to any network in the prepaid market, including long distance calling to the USA, Canada and Puerto Rico. In Paraguay, our on-net rate was reduced in September, resulting in progressive price elasticity which reached almost 100% by the end of the second month.

Given our aim to increase significantly the share of VAS in our recurring revenue, we focused our marketing efforts and promotions towards the 'young and cool', to build on the attractiveness and success of our innovative services in this large market segment. In Paraguay, we launched Ring Back Tones promotions in December using the most frequent downloads which resulted in a 42% increase in usage from November. Ring Back Tones have proved to be a hugely popular product, particularly in rural areas where our customers make regular, recurrent purchases. Our SMS top-up service is also growing strongly, facilitated by the low denomination top-ups available through e-PIN. In Paraguay, SMS reached 89% penetration as we are able to offer top-ups for as little as US$0.2, an offering our competitors cannot replicate with scratchcards. By the end of the year, VAS had grown by 78% in Paraguay and accounted for 59% of recurring revenue growth in the country. In Colombia VAS grew by 112% year on year and in Bolivia the growth in VAS was 145%.

Tigo Cash is a new VAS product which we introduced in Paraguay in 2008 to enable our customers to make payments electronically using their existing handsets. Tigo Cash is effectively an electronic wallet within the cell phone where money can be stored separately from the mobile phone service balance and can be used to make purchases in participating outlets. The objective of Tigo Cash for Millicom is to increase loyalty and reduce churn. It is our intention to roll-out Tigo Cash progressively in other markets.

In the third quarter we launched 3G services across the region and our prepaid and post-paid customers now have access to broadband internet, video calls, TV Tigo and music and other downloads. In Paraguay, Tigo was already the market leader in internet through the WiMax network but mobility has opened up a new opportunity for growth in this business and since November we have benefitted from lower modem prices which provide subsidy savings.

Across the region we also restructured our postpaid offering. In Colombia, we saw a 48% increase in our postpaid customer base and sales of postpaid plans more than doubled in the second half of the year as we introduced more specific market segment targeting. In Paraguay we have developed sophisticated and tailor-made solutions for our corporate customers, helping them to create efficiencies in their businesses.

Visibility of Tigo

Tigo products and services are today readily accessible at approximately 193,000 points of sale in South America, a 50% year on year increase, as a result of our concerted efforts further to improve our distribution channels in 2008. Our Distribution Management System (DMS) is now well established in Paraguay and Bolivia with dedicated territories assigned to dealers and

the frequency of sales, stock levels and the presence of trade materials at points of sale constantly monitored. We started the roll-out of DMS in Colombia in the latter part of the year and expect to complete it before end of the second quarter of 2009.

Of the total number of points of sale in the region, 75% are e-PIN outlets. In Colombia, we increased our e-PIN outlets from 1,800 at the start of the year to 22,500 by year end and we increased the share of electronic reloads (the various formats of e-PIN available in Colombia) from 36% to 64%, thanks to an initiative we have named 'Sowing' whereby market developers hired by Tigo are sent out to source and secure new outlets which are then rewarded with airtime according to the e-PIN sales they generate. Door to door selling, which currently represents 30% of activations in Colombia, and joint marketing activity with SAB Miller also contributed to the increase in Tigo's visibility in the country. In Paraguay, we developed a new, 24 hour e-PIN activation through our call center which has reduced our back office costs and created further improvements in efficiency.

We achieved better marketing efficiency in 2008 and we were able to achieve discounts in advertising in Colombia through negotiations with central media. Despite aggressive marketing campaigns by our competitors in South America during the year, we succeeded, through our steadfast focus on our triple A strategy, in maintaining our market share in Bolivia and Colombia and most impressively, in growing our market share in Paraguay by five points.

Capacity and coverage

Network expansion was a key activity in 2008 coupled with the roll-out of the 3G network onto our existing infrastructure and the allocation of GSM capacity according to market growth. We added 877 cell sites across the region in our efforts to improve the availability of Tigo, with 224 new sites installed in Bolivia, 371 in Colombia and 282 in Paraguay and we ended the year with 4,008 sites across the region, an increase of 28% over 2007. Tigo now covers 74% of the addressable market in Colombia and over 85% in Bolivia and Paraguay.

In Colombia, a new telecom infrastructure solution was introduced for greenfield sites, consisting of reusable components that can be installed and deployed more rapidly and producing capex savings of 6% over traditional methods for greenfield site development. Given the extent of coverage in Colombia, the data transmission required to link all network points is crucial in the delivery of an efficient service and in 2008 we implemented a nationwide data network through long term contracts with existing local vendors to ensure consistency in transmission whilst allowing for the anticipated growth in data services following the launch of 3G. Across the region we are in continuous negotiations with providers in order to secure better prices for civil works, towers and network maintenance.

In Paraguay, the implementation of our fiber optic backbone network produces cost efficiencies for high capacity requirements, improves availability in the main trunks and produces direct cost reductions. In 2008 we launched Fiber to the Home (FTTH) services in Paraguay, with an initial phase of 25 nodes and an initial capacity of 2000 ports covering the metropolitan areas of Asuncion, Ciudad del Este and Encarnacion.

Market developments

In Bolivia, the number one mobile operator was nationalized in 2008 and the government is encouraging the other market operators to focus on the provision of communication services in rural areas, an objective that is closely aligned with Tigo's triple A strategy.

In Colombia, the Ministry of Communications awarded Tigo with 10 MHz of additional spectrum, renewable in 2013 along with our license, which was instrumental in the launch of 3G services. Tigo was also awarded a new International Gateway License, enabling us to offer international gateway services and capture the majority of the international traffic of Tigo users.

In Paraguay, Tigo's license to provide mobile services was approved by the Regulator for a further five years and an additional investment for a data transmission license for FTTH and ADSL was also approved. An ISP License renewal request has been submitted and is awaiting approval from the Regulator.

Outlook for 2009

The focus for our South American operations in 2009 will be on continued coverage and capacity expansion, utilizing shared sites, poles and rooftops as much as possible, to accommodate the anticipated growth in voice, VAS and data services as we increasingly segment our market and target specific customer groups. We will also continue to enhance our postpaid offering with a distinctive customer service strategy.

In Colombia and Bolivia, we will continue to strengthen our direct sales force and we will finalize the implementation of the Distribution Management System, replicating the key features of this proven model from Paraguay by dividing the market up into territories to be managed by dedicated dealers responsible for their commercial performance.

In the context of a deteriorating macro economic environment, it will be increasingly important to focus on cost control in order to improve profitability. We recognize that subscriber growth will be cumulatively slower in South America going forward due to the higher penetration rates in the region, but we expect margins to continue to improve gradually in 2009 and beyond towards the Group average, helped in part by a strengthening margin in Colombia and Bolivia as we gain critical mass.

Africa

Extensive network expansion was a key activity in Africa in 2008 and Millicom built over 1,000 new cell sites across the region during the year to accommodate the projected growth in the subscriber base.

Highlights

- 3.5 million subscribers added in Africa in 2008
- Acquisition of third license in Rwanda
- Per second billing introduced in Chad in September
- GPRS license acquired in Chad
- 15 year 3G license acquired in Ghana
- 1 million subscriber milestone reached in DRC

In 2008 Africa received 43% of Millicom's total capex as the geographical coverage and capacity of the networks across the region were extended. The operating focus during the year was on aligning resources in order to achieve the best return on this investment and on rolling out the Distribution Management System in the more mature markets. This focus on network expansion and distribution efficiency led to a 63% year-on-year growth in subscribers, a 51% growth in revenue to $711 million and a 53% growth in EBITDA to $238 million and resulted in an EBITDA margin of 34% for the region despite more challenging market conditions, particularly in the second half of the year.

Products and pricing

Our African operations continued to focus on product innovation and competitive pricing in order to enhance further the customer's perception of the Tigo brand as offering value for money. Tigo Chad introduced per-second billing in September giving airtime purchases greatly increased longevity and this very important affordability feature is now present across all of our African operations.

The 'Xtreme' product, first introduced in 2007, whereby the customer pays either $1 for free on-net calls for 12 hours or $2 for 24 hours, was developed further in 2008 with regional variations in price according to the affordability and network capacity characteristics of the region. These developments made the offer more inclusive and made better use of spare network capacity in each area.

In DRC, new products and pricing changes included a 'home zone' tariff in Kasai, double airtime bonus on certain days, USD$1 SIM packs, and web 2 SMS service. Tigo DRC also launched a corporate offering which resulted in a 136% increase in the post-paid customer base.

In Tanzania, our fastest growth market in Africa, Tigo took action to maintain product and price leadership, in order to grow gross margin while maintaining a high subscriber intake. On-net pricing was decreased from Tsh 3 to Tsh 1, for example, to pre-empt price cuts from competitors. Through these pricing initiatives, which were widely publicized, Tigo succeeded in growing its market share in Tanzania by 9% from the start of the year which was the highest market share gain of any Millicom operation in 2008.

The direct marketing of Value Added Services (VAS) was intensified as freelance sales people were equipped with information on competitors' tariffs, enabling the customers to make direct comparisons. The use of VAS products continued to grow throughout the year and annual VAS revenues for Africa grew by 49%, driven mainly by SMS.

Visibility of Tigo

Millicom continues to invest heavily in marketing and promotion activities across Africa as it is important to establish a strong presence in terms of brand awareness at this early stage in mobile development when penetration rates are relatively low and in the face of increasing competition from new market entrants. Our operations met the challenge of new competition head on by introducing best in class customer loyalty promotions such as Tigo 4 Life.

The second half of the year was dominated by communication initiatives to create awareness of Tigo's products, services and advantages such as Coverage, Affordability, Entertainment, Ring Back Tones, Internet, Xtreme Value, Text a Lot and Free Nights. Tigo also introduced Customer segmentation techniques in order to retain customers and reduce churn. In Senegal for example, promotions included a wrestling promotion whereby with each US$2 refill, subscribers were entered into a draw to win tickets for a promotional wrestling event. This promotion converted a projected churn in subscriber numbers into an almost equal number of gross additions.

Across the region as a whole we added almost 85,000 new points of sales to our distribution network in 2008 and Tigo's presence was increased to support push activities that directly impact the level of connections. This has been achieved with new outdoor and POS material such as umbrellas, table tops and stickers.

The Distribution Management System (DMS), which was introduced in Ghana, Tanzania and Sierra Leone in 2007 to ensure maximum product and service delivery throughout the marketplace, has enabled Tigo to improve the management of its distribution networks. In Ghana, a new menu was introduced for territory supervisors which facilitated a reduction in e-PIN commission by half a point in October 2008. In Tanzania, point of sales material is now delivered directly to dealers for downstream distribution, eliminating third parties from the distribution channel and therefore reducing the cost of distribution. DMS was implemented in Senegal in 2008 and two mega dealers were selected to cover almost 80% of the market. Today every single shop is visited regularly to ensure inventory levels and point of sales material remain stocked up and brand visibility is consistently high.

In DRC a direct sales force was established with a focus on high sales, coaching, training and career planning for the team. The number of super dealers was decreased from 33 to 23 to increase dealer focus and efforts were focused mainly on Kinshasa and Bas Congo where 90% of outgoing revenue is earned.

In Mauritius distribution of airtime and subscription by freelancers increased penetration and reduced distribution costs. The number of e-PIN outlets was increased by 68% and the direct sales and retail teams were co-located to facilitate the sharing of market information.

Capacity and coverage

Extensive network expansion was a key activity in Africa in 2008 and Millicom built over 1,000 new cell sites across the region during the year to accommodate the projected growth in the subscriber base, with 399 built in Tanzania and over 200 built in both Ghana and DRC.

Common civil works procurement was implemented for Ghana, Tanzania, DRC and Senegal with improved specifications, quality, payment terms and a good vendor blend to ensure efficient delivery.

Technical improvements made to the network included the introduction of a feature to improve voice quality with little impact on network resources, therefore allowing the network to carry more traffic at no equivalent hardware cost. Measures were also taken to reduce dependence on fuel and, where commercial power was limited, generator switching was introduced during times of low network usage to reduce site operation costs. Deep cycle batteries were introduced and solar panels were used on a limited basis. As a result of these initiatives, the average cost per site was reduced by 45% from October 2008 in Ghana and, in Tanzania, fuel consumption was also reduced by 45% for sites where battery cycling was implemented. Further site cost reductions were realised in DRC where repeater sites are now powered by solar panels and the maintenance of power systems is outsourced.

Our larger operations invested in fiber optic cables, benefitting from cost savings achieved through centralized procurement.

Across Africa, our operations increasingly started site sharing negotiations with competitors. The outcome of these negotiations will be seen in 2009 when site sharing will be put into effect.

Market developments

At the end of 2008, Millicom acquired the third national licence in Rwanda for a fee of $60 million. Rwanda has some 10 million inhabitants and is a country of some 26,000 sq.km, located between our existing operations in DRC and Tanzania, giving potential to create synergies between the three businesses over time. Mobile penetration in Rwanda is low, at some 9%, and there are currently only two operators. The structure of the mobile industry presents us with the opportunity to build a business with a significant market share. We are now planning a network roll-out in 2009 and expect to launch services before the year end.

Millicom also acquired a 15 year 3G license in Ghana and a GPRS license in Chad in 2008.

In the fourth quarter of 2008, Millicom's operation in Sierra Leone was classified as asset held for sale as it was not performing in line with expectations and was not delivering the required return on investment.

In Senegal, the government continues to challenge the validity of our operating licence and this is currently being disputed at the International Centre for the Settlement of Investment Disputes.

Outlook for 2009

In 2009 the operational focus will be primarily on improving market share and market positions. In our more established operations we will focus on world-class operating systems and processes to drive costs down and to help improve our subscriber offering and retention rate.

In DRC the focus on Kinshasa and Bas Congo, where our market share is strongest, will continue as Tigo aims to become the number two operator in the market through cost reductions in the eastern regions and improved distribution through the implementation of DMS.

In Chad we will continue the aggressive network roll-out. We also plan to launch a post-paid offering and to obtain an additional telephone number prefix from the regulator for 1 million more phone numbers in anticipation of growth.

Across the region emphasis will be placed on further developing our distribution systems and brand association, reinforcing our entire offering to the customer so that we are well equipped to meet the increasing demand for mobile telephone products and services.

Asia

"The Territory Management system continues to provide an unprecedented level of market information from the field."

Highlights

- 1.3 million subscribers added in Asia in 2008
- 2 million subscriber milestone reached in Sri Lanka
- Launch of a PDA based sales tracking system in Sri Lanka, a Millicom first
- Launch of VOIP in Cambodia
- Achievement of International Gateway Operator status and launch of Wimax broadband services in Laos
- 4 points of market share gain in both Laos and Sri Lanka

For Millicom's operations in Asia, 2008 was characterized by the record addition of over 1.3 million subscribers in the year, bringing the year end total to 4.3 million, up 47% from the previous year. Revenues were $262 million, up 34% year-on-year and EBITDA was $100 million, up 26% year-on-year, producing an EBITDA margin of 38%.

The operating focus for the cluster in 2008 was on continuing to drive profitable top line growth in an environment of increased pricing pressure due to competition from new players and macro economic factors. In Cambodia, the focus was on maintaining our leadership position in the market in light of three new entrants, while at the same time maintaining quality through continued investment in the cellular and distribution networks. In Laos and Sri Lanka, the focus was on profitable growth by reinforcing Tigo's positioning as an aspirational brand synonymous with Accessibility, Affordability and Availability.

Products and pricing

2008 saw the introduction of several innovative new products across the region in order to drive the affordability of our services. In Cambodia, we launched VOIP services to make IDD calls more affordable and also a $2 denomination card. In Laos, we launched a Call Collector program called "Yulala" where customers collect free outgoing airtime for each cent of incoming calls they receive. The program has now reached over 50% of our subscriber base and is delivering real value to our customers. We also ran two very successful promotions in Laos where customers enjoyed over an hour of free On-Net calls for $0.35. In Sri Lanka, we launched per second IDD tariffs and introduced a new low denomination by way of a 5 in 1 scratch card with a reload value of $0.9. We also launched 'Free Incoming', and 'Bonus for Life' propositions which made a strong contribution to Sri Lanka impressive net subscriber additions during the year.

In all three markets we launched new Value Added Services (VAS). In Cambodia, we introduced an exclusive English Premier League offering, allowing subscribers to watch near live video clips of soccer matches. In Laos, we launched a 1000 SMS offer for only 10 US cents which contributed to an increase in the VAS portion of revenues from 7% to 11%. In Sri Lanka, our PRBT (Personal Ring Back Tone) product took off very strongly as we made it easier for consumers to choose a new tone or copy their friends' tones through an innovative feature called Copy-A-Tune, a first in Sri Lanka. We also launched the "Give Me Balance" product in Sri Lanka, enabling customers to ask their friends to transfer balance to them.

There have also been developments in Roaming. In Laos, inbound roaming revenue increased by 38% due to an increase in tourism and to our new status as an International Gateway Operator which allows us to receive income from direct international calls termination. In Sri Lanka, we added over 50 roaming partners for both Voice and GPRS.

During the year there were also developments in the provision of data services in Asia. In Cambodia, we continue to expand our 3G and HSDPA services in major cities and in Laos, we launched broadband services via Wimax.

Visibility of Tigo

In 2008, we continued to increase the number of sales outlets in the region and we ended the year with approximately 59,000 points of sale, an increase of 21% over 2007.

The Territory Management system continues to provide an unprecedented level of market information from the field in Cambodia, driving new connections and distribution outlets throughout the country. This system was introduced in Sri Lanka in 2008, with the country divided into 5 regions. Tigo is the first mobile operator in Sri Lanka to have a web-based Distribution Management System, which equips our retail sales force with handheld PDAs, giving them access to online real time information such as stock availability. In Laos, the number of distributors increased by 50% while the number of E-pin outlets more than doubled.

We continued to support our brands, Cellcard in Cambodia and Tigo in Laos and Sri Lanka with marketing campaigns targeted towards our dealers and customers. In Cambodia, we implemented dealer seminars with over 3,000 dealers nationwide trained in our products and services and we launched a 'Best Dressed' Campaign to maximize Cellcard's brand visibility in outlets. In an

independent survey, the Cellcard brand came up as the most preferred service provider, offering best value for money and the most comprehensive VAS.

Tigo's first anniversary in Laos was celebrated by 25,000 people, making it the most attended event in Laos in 2008. The Tigo brand was further promoted through sponsorship of events such as Ms Lao Pageant, the first ever Lao Music Awards, and the 2008 Vientiane Speed Fest. Laos has also delivered a Millicom first by exclusively branding the arrival and departure card at immigration, making Tigo the first point of contact for every one of the 2 million tourists that enter Laos each year.

Sri Lanka continues to be the major innovator in brand visibility with innovations such as Tigo buses, Tigo branded bus stations, Tigo painted walls with specific messages and cool hangout areas in the two biggest cities of Colombo and Kandy. In Sri Lanka, we focused on leveraging and communicating our three core benefits - per second billing, all incoming free and lifetime bonus with every reload. For the launch of 'incoming free', we provided all bus rides into Colombo for free for one week which created a buzz around Tigo and catapulted the benefits of "All Incoming Free", which is now the number two brand association for Tigo, after "Per Second Billing". A research project carried out by Nielson revealed that Tigo Sri Lanka topped the list for best customer satisfaction across a number of factors including value for money, network quality and customer service. As our customers are the happiest customers, they bring in other customers, and this enabled us to cross the 2 million subscriber mark at the end of 2008.

Capacity and coverage

During the year, we expanded our coverage and capacity greatly in all three countries with a strong focus on the profitability of sites. In Cambodia, we rolled out 579 sites which allowed us to increase our reach in the country and cover over 65% of the population. We also enabled the whole of the network to EDGE allowing our customers to enjoy even higher data connections speeds. To improve our network efficiency, we negotiated a fixed price, performance related, three year Service Support Agreement with our main vendor to ensure inflation protected technical support services with improved equipment repair commitments. We also delivered 400 hybrid solar solutions for coverage sites resulting in lower operational costs.

In Laos, we rolled out 99 new sites, bringing the total number to 274 and giving population coverage of over 20%. In order to improve the reliability of the network, a plan has been introduced to reinforce lightning protection, increase the reliability of the transmission links and extend the power backup of all sites. In addition, we have established troubleshooting teams of local technicians, able to assess problems on sites more quickly and therefore improving our network efficiency. The introduction of a new vendor for Civil Works and the Standardization of Civil Specifications brought cost savings and greater efficiencies in the second half of the year.

In Sri Lanka, we rolled out over 300 new sites, increasing our coverage to over 70% of the population. In order to improve the efficiency of the network, we identified one strategic vendor for the radio network and for the New Generation 3G capable equipment. This has allowed us to improve the quality of the network substantially without increasing our costs. In order to prepare the ground for 3G we also introduced Next Generation Network (NGN) equipment in the third quarter. These initiatives have strengthened our network and given Sri Lanka one of the highest call success rates amongst all Millicom operations.

Market developments

There were a number of significant market developments in Asia in 2008 as the cluster continues to attract high levels of interest from new entrants. In Cambodia, three new players entered the market during the year and two more are poised to launch in early 2009. A new telecommunication act is under discussion in the parliament in Cambodia and the regulator has issued several new licenses which included Mobile, VoIP and ISP.

In Laos, a minority stake in the fourth operator was acquired by a regional player and the market leading operator launched commercial 3G services. Despite these market developments, Tigo continued to gain four points of market share. A new regulator, the National Authority for Post and Telecommunication (NAPT) was put into place in Laos in 2008 and in February, following 2.5 years of negotiations, Tigo was granted an International VOIP License. In April, we began our International Gateway operation and took up ISP services by providing WIMAX internet to customers. In late 2008 a Presidential Decree was signed based on recommendation made by NAPT on spectrum usage fees. Discussions on this topic are ongoing.

In Sri Lanka, our renewed license came into effect for a period of 10 years from 13th September 2008 and our 3G license approval has been secured, although we are still in the final stages of ratification by the government. Tigo added 4 points of market share in Sri Lanka in 2008, ahead of the launch of a fifth market operator in early January 2009.

Outlook for 2009

The outlook for Millicom's Asian operations for 2009 is promising as penetration rates are still low. All three operations will continue to invest aggressively to drive penetration and growth. With several new market entrants expected to launch services in 2009 and competition intensifying amongst the current players, the emphasis will be on maintaining and improving market share in a profitable manner. We intend to do this by continuing to lead in terms of affordability, availability and accessibility and by augmenting revenue streams through new Value-Added Services and a focus on higher ARPU segments. Progress will also continue to be made in terms of data, with the development of improved 3G services in Cambodia and Wimax in Laos.

To accommodate subscriber growth we will continue to grow our network coverage and capacity and increase the number of distribution and connection outlets. We will build in-depth understanding of our customers through utilizing the full potential of the territory management concept. As always, development of the businesses will be in the most cost efficient way, with procurement becoming more centralized and strong control over operating expenses. We are confident that our Asian businesses will account for a larger proportion of Group revenues in the future.

Governance

Board of directors

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 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.

Marten Pieters (born 1953)

Non-Executive Director* Member of the Audit and Nomination Committees until February 2009

Marten Pieters was elected to the Board of Millicom in May 2008. He was CEO of MSI, which became Celtel, from 2003 through its acquisition by MTC in early 2007. During this time, he was a driving force in Celtel's development as one of the leading pan-African telecommunications operators, serving some 20 million customers in 14 countries. Previously, from 1989 to 2003, Mr Pieters worked at KPN, where, from 2000, he was a member of the executive management board of KPN Telecom with specific responsibility for KPN's Business Solutions Division. Prior to this he was EVP, KPN International Operations, covering Central and Eastern Europe, Asia and the US. Before this he was Managing Director of one Telecoms district, having joined KPN as Secretary to the Board of Management. Before starting his career in telecommunications, Mr Pieters worked for 11 years at Royal Smilde Foods as Director of Finance and Strategic Planning and eventually as CEO in the Netherlands.

*Mr. Marten Pieters resigned from the Board of Millicom on February 6, 2009.

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 & social responsibility report

"We believe that education is an essential tool for achieving sustainable development as when children have the opportunity to learn, they can use their skills to build a path to a brighter future for themselves."

For Millicom, corporate and social responsibility (CSR) means understanding and considering the expectations of all our stakeholders; be they customers, governments, regulators, suppliers, employees, investors, or communities. Our commitment to this responsibility drives us to deliver a consistently high level of performance and to generate, protect and enhance value for all of them.

Customers

We aim to build enduring relationships with our customers by understanding and anticipating their needs. Today, our customers around the world enjoy and have come to expect an affordable, accessible and available mobile service, embodied by the Tigo brand. We value the reputation that our brand has earned and the trust our customers place in it and we endeavor to enhance this reputation by continually improving the products and services that we offer.

In 2008, we continued to drive down prices and reload values which, together with innovative promotions, perpetuated the affordability of our services. We added 129,000 points of sale to our distribution network and implemented our Distribution Management System in a number of markets in our efforts to improve accessibility. In terms of availability, we ended the year with 13,910 cell sites, up 41% from the end of 2007.

Governments and Regulators

Since our foundation in the early 1990s, Millicom has observed the highest standards of business ethics and integrity and this commitment is evident in our Code of Ethics. As an organization, we strongly support aggressive yet equal competition and our position as a leading operator of mobile telephony services gives us the leverage to encourage fair legislation and the correct application of telecommunications regulations in our markets, ultimately benefiting the customer. As a NASDAQ listed company, Millicom complies with the US Foreign Corrupt Practices Act ("FCPA") 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.

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.

Society and Environment

We have developed a corporate position on six issues affecting our business and we are developing programs in support of these positions across all operations. These issues are: Radio Frequency Fields, Child Labor, Electronic Waste, Energy and Climate Change, Responsible Use of Phones and Visual Pollution.

We are conscious of our impact on the environment and are committed to reducing our energy consumption. We participate in the Carbon Disclosure Project (CDP), which will help us progressively to measure, report and reduce our carbon dioxide releases. We are particularly concerned with the following factors connected with climate change:

- Regulation
- Changes in the climate system
- Technological innovations
- Shifts in consumer attitude and demand

CDP recognizes that the contribution to Global Greenhouse Gas (GHG) emissions and climate change varies across business sectors and that within sectors companies are at different stages in the development of their strategies to address climate change. CDP therefore sets the following four objectives, which we aim to include systematically in our business plans:

1. To identify strategic risks and opportunities and their implications.
2. To determine actual Greenhouse Gas emissions.
3. To determine performance against targets and plans to reduce GHG emissions.
4. To determine responsibility and a management approach to address our impact on climate change.

Millicom has a history and a reputation for responsible and proactive citizenship in our markets, gained through participation in rural development and by giving back to local communities which contribute to our growth. Our initiatives so far have been centered on education, building infrastructure, poverty and support in the aftermath of natural disasters. In 2008 Tigo in Laos provided financial and physical support (e.g. manpower in building sand walls) as part of the Vientiane Flood Relief Activities in October, following the biggest floods in Laos for forty years, caused by swelling of the Mekong River. In Sri Lanka, several low-lying areas were also affected by floods in 2008 with nearly 300,000 families made homeless. A staff initiative was launched to collect money and Tigo matched the amount collected by staff, so that essential items could be distributed to 125 families in the three most affected villages.

Under the theme 'Access today's world through education' and in keeping with the young persona of the Tigo brand, Millicom will continue to support education and initiatives for the young as its primary concern. We believe that education is an essential tool for achieving sustainable development as when children have the opportunity to learn, they can use their skills to build a path to a brighter future for themselves.

Millicom has joined the Solvay Business School Corporate Fellowship Programme in sponsoring the Philippson Chair for Sustainable Human Development. Every year, the Millicom Fellowship Programme offers a working position of 2-3 months in one of Millicom's operations to a final year engineering student.

For Millicom, the theme of Education also encompasses health promotion in countries where many diseases, such as AIDS, still claim a staggering number of victims each year. In Senegal for example, a caravan called "Triple Sensibilization" commutes between the most remote regions, going through all the big cities educating the local people and making direct donations. We also target young mothers in various health centres and maternity wards with support materials and literature on health, immunization therapies, and food supply.

Today Millicom has centralized and standardized procedures and criteria for the selection of community service projects and donations in order to ensure Group-wide alignment in prioritizing investment in education and by 2010, 80% of Millicom's spending on community initiatives will fall under this theme.

Employees

We believe that "talent is the engine behind the creation of all value" and we aim to recognize and develop individual talent to ensure that our 7,000+ employees reach their potential within our organization. Our corporate environment promotes and encourages our staff's continuous learning and personal growth, as well as their active participation in local community initiatives. This in turn fosters the Tigo team spirit and ensures that everyone can contribute to the success of the Company.

In keeping with the Tigo spirit, Millicom seeks diversity amongst its employees in order to foster creativity. Among the 70+ employees at our headquarters in Luxembourg more than 25 nationalities are represented. At the same time, Millicom seeks to build local capabilities. Local staff represent 97% of our employees across our 16 mobile operations and in Ghana and Sri Lanka the figure rises to 99% and 100% respectively. We offer all of our employees the opportunity for training through the "Tigo Talent School" programs and foreign assignments.

We also make continuous efforts in HR management to be considered employer of choice in our markets. In Paraguay, for example, Tigo has become the nation's preferred employer amongst young professionals.

Shareholders

Millicom aims to generate shareholder value by seizing opportunities in the mobile telephony sector in emerging markets, building on our current business and focusing on high growth segments whilst achieving the highest standards of integrity, customer satisfaction and employee motivation. Millicom 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.

In Summary

Overall, our governing values lead us to strive continuously to improve our business practices, to provide outstanding services to our customers, to sustain profitability in the long term and to engender pride in the company we work for.

Director's report

Principal activities and background

Millicom is an operator of mobile telephone services in 16 emerging markets in three continents; Latin America, Africa and Asia. We also operate cable and broadband businesses in five countries in Central America. 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, as well as 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 number B 40 630.

We have mobile operations in El Salvador, Guatemala and Honduras in Central America; in Bolivia, Colombia and Paraguay in South America; in Chad, the Democratic Republic of Congo, Ghana, Mauritius, Senegal and Tanzania in Africa; and in Cambodia, Laos and Sri Lanka in Asia. We have cable and broadband businesses in El Salvador, Guatemala, Honduras, Costa Rica and Nicaragua. In 2008 we acquired a license in Rwanda in Africa and we deconsolidated our business in Sierra Leone, classifying it as an asset held for sale.

Results

The Group continued to experience good growth in 2008 with the worldwide total subscriber base increasing by 38% to 32.0 million compared to 23.3 million in 2007. Particularly significant percentage increases by operating company were recorded in Tanzania (93%) the Democratic Republic of Congo (92%), Laos (79%), Sri Lanka (69%), Chad (67%) and Senegal (66%). This subscriber growth was driven by capital expenditure of $1.4 billion in 2008 which resulted in improvements in the quality of the networks and increased capacity and coverage. Expansion of the distribution network also helped drive subscriber growth by increasing the points of sale and improving the visibility and accessibility of the products.

Our revenues from continuing operations for the year were up 30% to $3,412 million compared to $2,624 million in 2007. Revenues in Central America increased by 20% for the year ended December 31, 2008 and in South America by 26%. For Africa and Asia, the increases in revenues for the year ended December 31, 2008 were 51% and 34% respectively. Foreign exchange had a positive impact on revenue growth by 4% over the full year 2008, as most currencies appreciated against the US$ in the first half of the year. In Q4 however, revenue growth was negatively impacted by a 3% erosion due to net depreciations of currencies in the countries in which Millicom operates. Currency devaluations have particularly affected the Colombian peso (11% devaluation vs. the dollar over a year), the Ghanaian cedi (30% devaluation), African currencies linked to the Euro (11% devaluation) and the Tanzanian Shilling (9% devaluation). Amnet, the cable and broadband business acquired on October 1, 2008 contributed 5% of revenue growth in Q4 2008 vs. Q4 2007.

Total operating profit for the year ended December 31, 2008 increased by 29% to $867 million from $672 million for the year ended December 31, 2007 due to the higher revenues. Profit from continuing operations increased to $704 million for the year ended December 31, 2008 from $552 million for the year ended December 31, 2007, an increase of 28%. The net profit attributable to equity holders of the company for 2008 was $518 million versus $697 million in 2007.

In 2008, we had capital expenditures of $1,431 million, a significant increase over the $1,050 million from continuing operations in 2007. This capital expenditure was mainly funded from cash flows provided by operating activities, which totalled $1,147 million from continuing operations in 2008 compared to $855 million in 2007.

In 2009 Millicom expects to be free cash flow positive for the full year and to see free cash flow growing in subsequent years. This is the result of an improving operating margin and a declining capex to sales ratio going forward.

Financial Position

Property, plant and equipment increased to $2.8 billion as at December 31, 2008 from $2.1 billion as at December 31, 2007 due to the increased capital expenditure across the Group. Cash and cash equivalents decreased to $0.7 billion compared to $1.2 billion at the end of 2007 as the Group paid a shareholders' dividend of $0.3 billion and the acquisition of Amnet was partially paid cash. Borrowings increased to $2.2 billion as at December 31, 2008 from $1.8 billion as at December 31, 2007, mainly as a result of additional operating company debt to finance the growth of the Group through capital expenditures. As at December 31, 2008, the Group had total equity of $1.7 billion compared to equity of $1.4 billion as at December 31, 2007.

The Board of Directors

The Company's directors are as follows:

Name	Position	Independent	Year Appointed	Expiration of Term
Kent Atkinson	Member	Yes	2007	May 2009
Mia Brunell Livfors	Member	No	2007	May 2009
Donna Cordner	Member	No	2004	May 2009
Daniel Johannesson	Chairman	Yes	2003	May 2009
Michel Massart	Member	Yes	2003	May 2009
Marten Pieters	Member	Yes	2008	May 2009*
Allen Sangines-Krause	Member	Yes	2008	May 2009

*Mr. Marten Pieters resigned from the Board of Millicom on February 6, 2009.

At the 2008 Annual General Meeting of Shareholders (the "AGM"), Ms. Cristina Stenbeck did not stand for re-election after 5 years of service and ceased to be a member of the Board.

The Board met 6 times in person and held an additional 5 meetings by teleconference during 2008.

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

The Board has adopted work procedures to 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 CSR Committee
- the Nominations Committee

Audit Committee. The Audit Committee convenes at least four times a year, and is currently comprised of three directors: Mr. Michel Massart (Chairman and financial expert), Mr. Kent Atkinson and Mr. Daniel Johannesson (who replaced Mr. Pieters following his resignation from the Audit Committee on February 6, 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 and accounting standards, the independence of external auditors, the audit fees, the internal audit function, the fraud risk assessment and ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the Group's annual report and accounts remains with the Board. The Audit Committee met 8 times during 2008 and Millicom's external auditors participated in each such meeting.

Compensation Committee. The Compensation Committee is comprised of Mr. Daniel Johannesson (Chairman from January 2007), Ms. Mia Brunell Livfors, and Mr. Kent Atkinson. This committee reviews and makes recommendations to the Board regarding the compensation of the CEO and the other senior executives as well as the management succession planning. The Compensation Committee met 7 times during 2008.

CSR Committee. The CSR Committee was established in 2008 and is currently comprised of Ms. Mia Brunell Livfors (Chair) and Ms. Donna Cordner. The CSR committee has responsibility for overseeing the management of Corporate and Social Responsibility and making recommendations to the Board. The CSR committee met once in 2008.

Nominations Committee. The Nominations Committee is currently comprised of Mr. Daniel Johannesson (Chairman), Mr. Michel Massart and Mr. Allen Sangines-Krause (who replaced Mr. Pieters following his resignation from the Nominations Committee on February 6, 2009). This committee makes recommendations for the election of Directors to the AGM. At the AGM, Shareholders may vote for or against the directors proposed 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 3 times in 2008.

Corporate Policy Manual. The Board has adopted a Corporate Policy Manual, which is the Group's central reference for all matters relating to its corporate governance policy. The Code of Ethics is a part of the Corporate Policy Manual. All senior executives, as well as every member of the Board, must sign a statement acknowledging that they have read, understood and will comply with the Code of Ethics.

Directors' Service Agreements. None of the directors have entered into service agreements with the Group or any of its subsidiaries providing for benefits upon termination of employment.

Financial information

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, 2008. 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, 2008.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal control of Amnet Telecommunications Holdings Ltd, Continental Programming Services Ltd, Teleservicios Centroamericanos Ltda and its subsidiaries, a group acquired in October 2008, which is included in the 2008 consolidated financial statements of Millicom International Cellular S.A. and represented total assets of $739 million at December 31, 2008 and $43 million of revenues for the period from the acquisition in October 2008 to December 31, 2008.

PricewaterhouseCoopers S.à.r.l has issued an unqualified report on our 2008 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.

March 24, 2009

By:

Name: Mikael Grahne

Title: *Chief Executive Officer*

By:

Name: Francois Xavier Roger

Title: *Chief Financial Officer*

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 profit and loss, changes in shareholders' equity and cash flows 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, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 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, 2008, 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.

As described in "Management's Report on Internal Control Over Financial Reporting", management has excluded Amnet Telecommunications Holdings Ltd, a limited liability company organized under the laws of Bermuda, Continental Programming Services Ltd, a limited liability company organized under the laws of Bermuda, and Teleservicios Centroamericanos Ltda, a limited liability company organized under the laws of El Salvador, and their subsidiaries (together "Amnet") from its assessment of internal control over financial reporting as of December 31, 2008 because it was acquired by MIC Group in a purchase business combination in October 2008. We have also excluded Amnet from our audit of internal control over financial reporting. Amnet is a wholly-owned group of companies whose total assets and total revenues represent $739 million and $43 million, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2008.

PricewaterhouseCoopers S.à r.l. — Luxembourg, March 24, 2009

Réviseur d'entreprises

Consolidated statements of profit and loss	Millicom International
for the years ended December 31, 2008, 2007 and 2006	Cellular S.A.

	Notes	2008	2007(i)	2006(i)
		US$ '000	US$ '000	US$ '000
Revenues	9	3,412,380	2,623,854	1,570,086
Cost of sales		(1,255,077)	(973,560)	(609,888)
Gross profit		**2,157,303**	**1,650,294**	**960,198**
Sales and marketing		(690,698)	(486,779)	(245,826)
General and administrative expenses		(537,884)	(418,863)	(240,936)
Other operating expenses		(61,438)	(72,949)	(37,613)
Other operating income		–	–	4,036
Gain from sale of subsidiaries and joint ventures, net	5	–	–	8,099
Operating profit	9, 10	**867,283**	**671,703**	**447,958**
Interest expense		(149,111)	(190,410)	(120,510)
Interest and other financial income		32,922	56,378	36,383
Other non operating (expenses) income, net	12	(55,593)	10,213	(1,145)
Profit from associates	17	8,706	4,400	1,483
Profit before tax from continuing operations		**704,207**	**552,284**	**364,169**
Charge for taxes	13	(277,369)	(87,198)	(117,587)
Profit for the year from continuing operations		**426,838**	**465,086**	**246,582**
(Loss)/profit for the year from discontinued operations, net of tax	6	(22,397)	245,898	(86,599)
Net profit for the year		**404,441**	**710,984**	**159,983**
Attributable to:				
Equity holders of the company		517,516	697,142	168,947
Minority interest		(113,075)	13,842	(8,964)
		404,441	**710,984**	**159,983**
Earnings per share for the year	14			
(expressed in US$ per common share)				
Basic				
—profit from continuing operations attributable to equity holders		5.01	4.46	2.55
—(loss) profit from discontinued			2.44	(0.87)
operations attributable to equity holders		(0.21)		
—profit for the year attributable to equity holders		4.80	6.90	1.68
Diluted				
—profit from continuing operations attributable to equity holders		4.98	4.33	2.52
—(loss) profit from discontinued			2.28	(0.85)
operations attributable to equity holders		(0.21)		
—profit for the year attributable to equity holders		4.77	6.61	1.67

(i) *Comparative information reclassified as a result of the classification of Millicom's operation in Sierra Leone as discontinued operation (see note 6)*

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

Consolidated balance sheets	Millicom International
as of December 31, 2008 and 2007	Cellular S.A.

	Notes	2008	2007
		US$ '000	US$ '000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets, net	15	990,350	467,502
Property, plant and equipment, net	16	2,787,224	2,066,122
Investments in associates	17	21,087	11,234
Deferred taxation	13	14,221	97,544
Other non-current assets		23,195	19,855
TOTAL NON-CURRENT ASSETS		**3,836,077**	**2,662,257**
CURRENT ASSETS			
Inventories		58,162	82,893
Trade receivables, net	18	257,455	223,579
Amounts due from joint venture partners		40,228	65,348
Prepayments and accrued income		82,303	71,175
Current tax assets		21,597	8,982
Supplier advances for capital expenditure		142,369	76,514
Other current assets	19	87,859	48,481
Cash and cash equivalents	20	674,195	1,174,597
TOTAL CURRENT ASSETS		**1,364,168**	**1,751,569**
Assets held for sale	6	20,563	–
TOTAL ASSETS		**5,220,808**	**4,413,826**

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

Consolidated balance sheets	Millicom International
as of December 31, 2008 and 2007	Cellular S.A.

	Notes	2008	2007
		US$ '000	US$ '000
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium	21	642,544	417,352
Other reserves	23	(47,174)	45,557
Retained profits		565,032	127,856
Profit for the year attributable to equity holders		517,516	697,142
		1,677,918	**1,287,907**
Minority interest		(25,841)	80,429
TOTAL EQUITY		**1,652,077**	**1,368,336**
LIABILITIES			
Non-current Liabilities			
Debt and other financing			
10% Senior Notes	24	453,471	–
Other debt and financing	24	1,208,012	945,206
Provisions and other non-current liabilities	25	70,008	55,601
Deferred taxation	13	81,063	42,414
Total non-current liabilities		**1,812,554**	**1,043,221**
Current Liabilities			
Debt and other financing			
10% Senior Notes	24	–	479,826
4% Convertible Notes—Debt component	24	–	178,940
Other debt and financing	24	496,543	230,319
Payables and accruals for the purchase of property, plant and equipment		501,978	460,533
Other trade payables(i)		240,576	226,292
Amounts due to joint venture partners		49,921	60,914
Accrued interest and other expenses		159,539	128,426
Current tax liabilities		93,416	82,028
Provisions and other current liabilities(i)	25	207,106	154,991
Total current liabilities		**1,749,079**	**2,002,269**
Liabilities directly associated with assets held for sale	6	7,098	–
TOTAL LIABILITIES		**3,568,731**	**3,045,490**
TOTAL EQUITY AND LIABILITIES		**5,220,808**	**4,413,826**

(i) Revenue sharing payable in Cambodia as at December 31, 2007 has been reclassified from "Other trade payable" to "Provision and other current liabilities" to improve the presentation of the consolidated balance sheet (see note 25)

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

	Notes	2008	2007(i)	2006(i)
		US $'000	US $'000	US$ '000
Cash flows from operating activities				
Profit before taxes from continuing operations		704,207	552,284	364,169
Adjustments				
Interest expense		149,111	190,410	120,510
Interest and other financial income		(32,922)	(56,378)	(36,383)
Other non operating expenses (income), net	12	55,593	(10,213)	1,145
Profit from associates	17	(8,706)	(4,400)	(1,483)
Operating profit		**867,283**	**671,703**	**447,958**
Adjustments for non-cash items:				
Depreciation and amortization	9,10,15,16	515,908	351,500	227,236
Loss on disposal and impairment of property, plant and equipment	10	9,384	3,737	1,861
Reduction of goodwill	10, 15	–	23,358	–
Gain from sale of subsidiaries and joint ventures, net	5, 10	–	–	(8,099)
Share-based compensation	22	13,619	19,228	12,850
Other non cash items		–	1,000	–
		1,406,194	**1,070,526**	**681,806**
Increase in trade receivables, prepayments and other current assets		(10,935)	(24,046)	(34,887)
Decrease (increase) in inventories		24,648	(25,126)	(22,284)
Increase in trade and other payables		47,905	94,003	73,019
Changes to working capital		**61,618**	**44,831**	**15,848**
Interest expense paid		(150,523)	(156,628)	(112,527)
Interest received		33,852	55,830	29,075
Taxes paid		(204,605)	(164,881)	(99,601)
Net cash provided by operating activities		**1,146,536**	**849,678**	**514,601**
Cash flows from investing activities				
Acquisition of subsidiaries and JV, net of cash acquired	4	(532,181)	–	(34,768)
Proceeds from disposal of subsidiaries and JV, net of cash disposed	5	–	–	(958)
Purchase of intangible assets and license renewals	15	(114,216)	(25,816)	(40,469)
Purchase of property, plant and equipment	16	(1,292,486)	(850,600)	(439,462)
Proceeds from sale of property, plant and equipment		19,842	3,853	–
Cash provided by other investing activities		19,694	36,777	12,327
Net cash used by investing activities		**(1,899,347)**	**(835,786)**	**(503,330)**
Cash flows from financing activities:				
Proceeds from issuance of shares		3,179	33,626	14,227
Proceeds from issuance of debt and other financing		1,206,607	545,351	308,785
Repayment of debt and financing		(664,294)	(315,955)	(191,430)
Payment of dividends		(259,704)	(18,286)	(4,873)
Net cash provided by financing activities		**285,788**	**244,736**	**126,709**
Transfer of cash to assets held for sale		(521)	–	(7,135)
Cash (used) provided by discontinued operations	6	(23,776)	251,209	(73,289)

Exchange (losses) gains on cash and cash equivalents	(9,082)	8,068	2,569
Net (decrease) increase in cash and cash equivalents	**(500,402)**	**517,905**	**60,125**
Cash and cash equivalents at the beginning of the year	1,174,597	656,692	596,567
Cash and cash equivalents at the end of the year	**674,195**	**1,174,597**	**656,692**

(i) Comparative information reclassified as a result of the classification of Millicom's operation in Sierra Leone as discontinued operation (see note 6) and to improve the presentation of the consolidated cash flow statements

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

Consolidated statements of changes in equity	Millicom International
for the years ended December 31, 2008, 2007 and 2006	Cellular S.A.

						Attributable to equity holders				
	Number of Shares	Number of shares held by the Group	Share Capital(i)	Share Premium(i)	Treasury shares	Retained profits/ (accumulated losses) (ii)	Other reserves(iii)	Total	Minority interest	Total equity
			US$	US$	US$	US$	US$	US$	US$	US$
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Balance as of January 1, 2006	**99,704**	**(655)**	**149,555**	**315,602**	**(8,833)**	**(141,502)**	**(15,217)**	**299,605**	**34,179**	**333,784**
Profit for the year	—	—	—	—	—	168,947	—	168,947	(8,964)	159,983
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	(4,873)	(4,873)
Shares issued via the exercise of share options	913	655	1,369	5,574	8,833	—	(1,549)	14,227	—	14,227
Minority interest following acquisition of subsidiaries	—	—	—	—	—	—	—	—	52,500	52,500
Share based compensation (iv)	67	—	101	2,262	—	—	10,487	12,850	—	12,850
Transfer to accumulated losses	—	—	—	(101,937)	—	101,937	—	—	—	—
Fair value adjustment on financial assets	—	—	—	—	—	—	(3,308)	(3,308)	—	(3,308)
Currency translation differences	—	—	—	—	—	—	12,553	12,553	4,672	17,225
Balance as of December 31, 2006	**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
Dividends paid to minority 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 (vi)	13	—	20	980	—	—	—	1,000	—	1,000
Share based compensation (iv)	9	—	14	741	—	—	18,473	19,228	—	19,228
Issuance of shares - 2006 LTIP (iii)	58	—	87	4,436	—	—	(4,523)	—	—	—
Issuance of shares (vii)	9	—	14	824	—	—	—	838	—	838
Conversion of part of the 4% Convertible Notes (v)	29	—	43	1,041	—	—	(196)	888	—	888
Transfer to legal reserve	—	—	—	—	—	(1,526)	1,526	—	—	—
Currency translation differences	—	—	—	—	—	—	31,149	31,149	7,359	38,508
Balance as of December 31, 2007	**102,428**	**—**	**153,643**	**263,709**	**—**	**824,998**	**45,557**	**1,287,907**	**80,429**	**1,368,336**

	Number of Shares	Number of shares held by the Group	Share Capital(i)	Share Premium(i)	Treasury shares	Retained Profits (ii)	Other reserves(iii)	Total	Minority interest(viii)	Total equity
						Attributable to equity holders				
			US$	US$	US$	US$	US$	US$	US$	US$
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
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
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 (vi)	11	—	17	1,208	—	—	—	1,225	—	1,225
Share based compensation (iv)	—	—	—	—	—	—	11,666	11,666	—	11,666
Issuance of shares (vii)	9	—	14	1,025	—	—	—	1,039	—	1,039
Issuance of shares - 2006 LTIP (iii)	52		76	3,887	—	—	(3,963)	—	—	—
Directors shares (iv)	6		10	717	—	—	—	727	—	727
Conversion of the 4% Convertible Notes (v)	5,622	—	8,434	205,658	—	—	(38,913)	175,179	—	175,179
Transfer to legal reserve	—	—	—	—	—	(262)	262	—	—	—
Currency translation differences	—	—	—	—	—	—	(60,846)	(60,846)	6,805	(54,041)
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**

(i) *See note 21.*

(ii) *Includes profit for the year attributable to equity holders, of which $24 million (2007: $12 million; 2006: $6 million) are undistributable to equity holders.*

(iii) *See note 23.*

(iv) *See note 22.*

(v) *See note 23 and 24.*

(vi) *See note 26.*

(vii) *Employees purchase of shares under the Matching share award Plans (see note 22).*

(viii) *As at December 31, 2008, minority interest was negative as the minority shareholders of Colombia Movil S.A. ESP have a binding obligation to cover their share of the losses of this entity.*

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

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

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

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

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

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

In accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, the consolidated financial statements for the year ended December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

2.2 Consolidation

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

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

Subsidiaries

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

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

Minority interests

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

Joint ventures

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

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

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

Associates

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

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

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

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

2.3 Foreign currency translation

Functional and presentation currencies

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

Transactions and balances

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

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

Translation into presentation currency

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

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

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

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

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated statements of profit and loss as part of the gain or loss on sale.

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

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

Country	Currency	2008 Average rate	2008 Year-end rate	2007 Year-end rate
Bolivia	Boliviano	7.25	7.03	7.64
Chad	CFA Franc	448.70	471.84	448.66
Colombia	Peso	1,994.75	2,249.50	2,017.23
Costa Rica	Colon Costa Rica	528.26	555.47	—
Ghana	Cedi	1.09	1.27	0.97
Guatemala	Quetzal	7.59	7.78	7.66
Honduras	Lempira	18.90	18.90	18.90
Laos	Kip	8,871.62	8,600.00	9,459.00
Luxembourg	Euro	0.68	0.72	0.69
Mauritius	Rupee	28.41	31.62	28.48
Nicaragua	Gold Cordoba	19.41	19.85	—
Paraguay	Guarani	4,373.46	4,885.00	4,750.01
Senegal	CFA Franc	448.70	471.84	448.66
Sierra Leone	Leone	2,983.24	3,042.23	2,977.59
Sri Lanka	Rupee	108.65	113.00	108.65
Sweden	Krona	6.63	7.86	6.47
Tanzania	Shilling	1,203.62	1,317.50	1,153.99

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

2.4 Segment Reporting

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

2.5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value. Depreciation is calculated using the straight-line method over the shorter of the estimated useful life of the asset and the remaining life of the license associated with the assets, unless the renewal of the license is contractually possible and is expected without significant cost. All repairs and maintenance expenditures are expensed as incurred.

Estimated useful lives are:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual value and useful life is reviewed, and adjusted if

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statements of profit and loss during the financial period in which they are incurred.

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

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset when it is probable that such costs will result in future economic benefits for the Group and the costs can be measured reliably.

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged to the income statement in the year in which expenditure is incurred. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statements of profit and loss in the expense category consistent with the function of the intangible assets.

Goodwill

Goodwill represents the excess of cost of an acquisition over the Group's share in the fair value of the identifiable assets less the liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate at the date of transaction. If the fair value of the identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can be determined only provisionally, then Millicom initially accounts for the goodwill using these provisional values. Within twelve months of the acquisition date, Millicom then recognises any adjustments to these provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the acquisition have been finally determined. Adjustments to the provisional fair values are made as if the adjusted fair values had been recognised from the acquisition date. Goodwill on acquisition of subsidiaries and joint ventures is included in "intangible assets, net". Goodwill on acquisition of associates is included in "investments in associates". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's cash generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-

generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed and the portion of the cash-generating unit retained. Impairment losses related to goodwill cannot be reversed in future periods.

Licenses

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

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

Trademarks and subscriber bases

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

2.7 Impairment of non-financial assets

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

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

2.8 Other assets

Other assets include financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus,

in the case of investments not at fair value through profit or loss, directly attributable costs. Millicom determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

Loans and receivables

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

Financial assets at fair value through profit or loss

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

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when Millicom has the intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Available for sale financial assets

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of a substantially similar instrument, discounted cash flow analysis and option pricing models.

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

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. The liabilities of disposal groups are classified as "Liabilities directly associated with assets held for sale".

2.10 Inventories

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

2.11 Trade receivables

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

2.12 Time deposits

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

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Derivative financial instruments

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

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

2.15 Impairment of financial assets

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

2.16 Share capital

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

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

2.17 Borrowings and borrowing costs

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

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

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

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

2.18 Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

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

2.19 Provisions

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

2.20 Trade payables

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

2.21 Revenue recognition

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

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

Revenues from provision of telecom services

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

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

Prepayments

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

Value added services

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

Equipment revenues

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

Multiple-element arrangements

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

2.22 Cost of sales

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

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

2.23 Customer acquisition costs

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

2.24 Employee benefits

Pension obligations

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

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

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an appropriate discount rate based on the maturities of the related pension liability.

Share-based compensation

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the

total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.25 Taxation

Current tax

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

Deferred tax

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

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

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

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

2.26 Discontinued operations

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

2.27 Changes in accounting policies

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

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

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

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

- IFRS 8 Operating Segments – This standard is to be applied for annual periods beginning on or after 1 January 2009. This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary and secondary reporting segments of the Group. The Group is evaluating the impact on its segmental reporting as the result of the adoption of IFRS 8.

- IAS 1R Presentation of Financial Statements – The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after January 1, 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owners changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single line statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

- IFRS 3R Business combination and IAS 27R — Consolidated and Separate Financial Statements – The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and the future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group does not expected the amendment to have any impact on its financial statements.

- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements'(effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Group's financial statements.

- IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009; it is not expected to have an impact on the Group's financial statements.

- IFRIC 13 Customer Loyalty Programmes – The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognised. This interpretation will not have a material impact on Millicom financial position or results.

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

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective from July 1, 2009). The interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity, that an entity should measure the dividend payable at the fair value of the net assets to be distributed and that an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. This interpretation will not have a material impact on Millicom financial position or results.

- IFRIC 18, 'Transfers of assets from customers'. IFRIC 18 clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This is particularly relevant to the utility sector with the provision of the service being that of, for example, gas or electricity. The interpretation applies prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted. This interpretation will not have any impact on Millicom financial position or results.

- As part of its annual improvement project published in May 2008, the IASB slightly amended various standards. The improvements focused on areas of inconsistencies in IFRSs or where clarification of wording was required. The effective dates of these amendments vary depending on the standard concerned but are generally January 1, 2009. The Group does not expect any significant impact of these amendments on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

10% Senior Notes

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

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

Contingent liabilities

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

Estimates

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

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

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

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

4. ACQUISITIONS OF SUBSIDIARIES, JOINT VENTURES AND MINORITY INTERESTS

Year ended December 31, 2008

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

Amnet Telecommunications Holding Limited

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

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

	Recognised on acquisition	Carrying value
	US$ '000	US$ '000
Intangible assets, net (i)	162,383	26,631
Property, plant and equipment, net	71,197	67,911

Other non-current assets	3,093	3,093
Financial assets	7,502	7,502
Inventories	1,454	1,454
Trade receivables	8,052	8,052
Prepayments and accrued income	2,960	2,960
Current tax assets	3,728	3,728
Other current assets (ii)	27,899	3,989
Cash and cash equivalents	13,497	13,497
	301,765	**138,817**
Non-current debt and other financing	116	116
Other non-current liabilities (iii)	43,337	1,810
Current debt and other financing	3,271	3,271
Trade payables	9,992	9,992
Accrued interest and other expenses	5,950	5,950
Current tax liabilities	7,057	7,057
Other current liabilities (ii)	26,294	2,384
	96,017	**30,580**
Fair value of net assets acquired and contingent liabilities (100%)	**205,748**	
Goodwill arising on acquisition	339,982	
Acquisition cost	**545,730**	

(i) Intangible assets identified are trademarks for an amount of $5 million, with estimated useful life of 15 months; subscriber bases for an amount of $123 million, with estimated useful life of 4 to 9 years; and non-compete agreements for $19 million, with estimated useful lives of 4 years.

(ii) Contingent liabilities relate to existing tax and other contingencies at the time of the acquisition amounting to $24 million were booked within "Other current liabilities". The former shareholders of Amnet placed in escrow $35 million to cover these contingencies. Therefore a corresponding financial asset of $24 million has been recorded within "Other current assets".

(iii) Deferred tax liabilities, related to the differences between the tax base and the fair values of the identifiable assets acquired at the time of acquisition amounted to $42 million.

The goodwill is attributable to the profitability potential of the acquired business and the synergies expected to arise from the Group's acquisition of Amnet. The fair value of the subscriber bases was ascertained using the discounted excess earnings method and the fair value of the trademark was ascertained using the relief from royalty approach. The fair value of the non-compete agreements was ascertained using the incremental cash flow approach. Acquisition cost of Amnet was $546 million, including acquisition costs of $4 million and was funded through a one-year bridge loan facility with two commercial banks and cash (see note 24).

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

Year ended December 31, 2007

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

Year ended December 31, 2006

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

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

Colombia Móvil S.A.

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

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

Goodwill arising on acquisition	62,236
Acquisition cost	**124,148**

(i) *Intangible assets identified are trademarks for an amount of $5 million which were fully written off in the fourth quarter of 2006 as the operation was rebranded; subscriber bases for an amount of $100 million which have useful lives of 6 to 7 years; and licenses for $71 million which have useful lives of 7 years.*

(ii) *Network equipment fair value at the date of acquisition is $30 million lower than its carrying value mainly due to falling network equipment prices which have resulted in a lower replacement cost than book value.*

(iii) *Contingent liabilities relate to existing litigations at the time of the acquisition. The founding shareholders of Colombia Movil S.A. committed to reimburse the operation for any payments that need to be made relating to litigations existing at the time of the acquisition therefore a corresponding financial asset has been recorded.*

(iv) *The business was acquired by purchasing new shares and therefore the purchase price, net of acquisition costs, was injected into the operation.*

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

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

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

Telefonica Celular del Paraguay S.A

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

Sentel GSM

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

Millicom Sierra Leone Limited

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

Millicom Tanzania Limited

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

5. DISPOSALS OF SUBSIDIARIES AND JOINT VENTURES

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

	2008	2007	2006
	US$ '000	US$ '000	US$ '000
From continuing operations	—	—	8,099
From discontinued operations	—	258,346	738
Total	**—**	**258,346**	**8,837**

Year ended December 31, 2008

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

Year ended December 31, 2007

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

Year ended December 31, 2006

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

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

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

6. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

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

	2008	2007(i)	2006(i)
	US$ '000	US$ '000	US$ '000
Revenues	8,917	12,890	75,139

Operating expenses (ii) (iii) (iv)	(30,585)	(20,715)	(119,477)
Gain from disposal	–	258,346	738
Operating profit (loss)	**(21,668)**	**250,521**	**(43,600)**
Non-operating expenses, net	(729)	(4,744)	(42,481)
Profit (loss) before tax	**(22,397)**	**245,777**	**(86,081)**
Tax benefit (charge)	–	121	(518)
Profit (loss) for the year attributable to equity holders	**(22,397)**	**245,898**	**(86,599)**

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

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

(iii) *In 2006, following the sale of Pakcom (see note 5), Millicom reversed an impairment on network equipment for an amount of $6 million.*

(iv) *In 2006, following the sale of Millicom Peru S.A. (see note 5), Millicom reversed an impairment on a license for an amount of $2 million.*

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

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

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

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

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

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

Millicom Sierra Leone Limited

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

Pakcom Limited and Paktel Limited

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

Comvik International (Vietnam) A.B.

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

Other

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

Assets held for sale

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

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

	2008	2007
	US$ '000	US$ '000
Assets		
Property, plant and equipment, net	17,977	—
Trade receivables, net	553	—
Inventories	357	—
Other current assets	1,155	—
Cash and cash equivalents	521	—

Assets held for sale	**20,563**	**—**
Liabilities		
Other non-current liabilities	691	—
Trade payables	3,023	—
Other current liabilities	3,286	—
Current debt and other financing	57	—
Non-current debt and other financing	41	—
Liabilities directly associated with assets held for sale	**7,098**	**—**
Net assets directly associated with the disposal group	**13,465**	**—**

7. SUBSIDIARIES

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

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

Millicom Africa B.V.	Netherlands	100.0	100.0
Millicom Holding B.V.	Netherlands	100.0	100.0
Millicom Ireland Limited	Ireland	100.0	—

(i) *See note 4.*

(ii) *See notes 4 and 6.*

(iii) *See note 15.*

8. INTERESTS IN JOINT VENTURES

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

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

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

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

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

	2008	2007	2006
	US$ '000	US$ '000	US$ '000
Revenues	1,130,702	901,564	625,544

Total operating expenses	(617,121)	(483,430)	(365,826)
Operating profit	**513,581**	**418,134**	**259,718**

9. SEGMENT INFORMATION

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

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

Primary Reporting Format—Geographical and Business Segments

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

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

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

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

December 31, 2006	Central America	South America	Africa	Asia	Unallocated items	Total continuing operations	Discontinued operations (note 6)	Elimination	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Revenues	**796,111**	**321,038**	**306,091**	**146,846**	**–**	**1,570,086**	**75,139**	**–**	**1,645,225**
Operating profit (loss)	**334,923**	**49,657**	**69,813**	**36,070**	**(42,505)**	**447,958**	**(43,600)**	**–**	**404,358**
Add back:									
Depreciation and amortization	79,242	68,335	54,758	24,701	200	227,236	30,521	–	257,757
Loss (gain) of disposal and impairment	1,265	26	72	357	141	1,861	(5,256)	–	(3,395)
Share based compensation	–	–	–	–	12,850	12,850	–	–	12,850
Corporate costs	–	–	–	–	37,413	37,413	–	–	37,413
Gain on disposal of subsidiaries and joint ventures, net	–	–	–	–	(8,099)	(8,099)	–	–	(8,099)

Other items	–	–	–	–	–	–	3,340	–	3,340
Adjusted operating profit (loss) (i)	**415,430**	**118,018**	**124,643**	**61,128**	**–**	**719,219**	**(14,995)**	**–**	**704,224**
Total Assets	**771,553**	**941,133**	**699,532**	**209,022**	**468,000**	**3,089,240**	**428,663**	**(196,909)**	**3,320,994**
Total Liabilities	**363,829**	**641,522**	**585,753**	**153,585**	**887,255**	**2,631,944**	**540,968**	**(434,306)**	**2,738,606**
Additions to:									
Property, plant and equipment	176,769	71,495	244,515	104,596	68	597,443	126,965	–	724,408
Intangible assets	25,880	2,154	230	5,488	–	33,752	21	–	33,773
Capital expenditure	**202,649**	**73,649**	**244,745**	**110,084**	**68**	**631,195**	**126,986**	**–**	**758,181**

(i) Adjusted operating profit is the measure used by the management to monitor the segmental performance (see note 30).
(ii) Segment assets include goodwill and other intangibles and tangibles emerged from the acquisition of Amnet.

10. ANALYSIS OF OPERATING PROFIT

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

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

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

11. EMPLOYEE RELATED COSTS

Employee related costs are comprised of the following:

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

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

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

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

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

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

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

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

	2008	2007(i)	2006(i)
	US$ '000	US$ '000	US$ '000
Valuation movement on financial assets:			
Tele2 A.B.—"B" shares	–	–	(36,386)
Embedded derivative on the 5% Mandatory Exchangeable Notes	–	–	66,095
Other financial derivatives	–	–	(785)
Exchange gain/(loss) on the 5% Mandatory Exchangeable Notes	–	–	(35,616)
Loss on repurchase of the 10% Senior Notes (see note 24)	–	(4,961)	–
Other exchange gains/(losses)	(55,593)	15,174	5,547
Other non operating income (expenses), net	**(55,593)**	**10,213**	**(1,145)**

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

13. TAXES

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

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

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

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

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

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

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

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

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

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

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

	2008	2007(i)	2006(i)
	US$ '000	US$ '000	US$ '000
Current income tax charge	(196,924)	(172,186)	(117,128)
Net deferred income tax charge benefit	(80,445)	84,988	(459)
Charge for taxes	**(277,369)**	**(87,198)**	**(117,587)**

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

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

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

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

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

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

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

14. EARNINGS PER SHARE

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

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

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

	2008	2007(i)	2006(i)
	US$ '000	US$ '000	US$ '000
Basic			
Net profit attributable to equity holders from continuing operations	539,913	451,244	255,546
Net (loss) profit attributable to equity holders from discontinued operations	(22,397)	245,898	(86,599)
Net profit attributable to equity holders used to determine the basic earnings per share	517,516	697,142	168,947
Diluted			
Net profit attributable to equity holders from continuing operations	539,913	451,244	255,546
Interest expense on convertible debt (note 24)	760	16,640	—
Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share	540,673	467,884	255,546
Net (loss) profit attributable to equity holders from discontinued operations	(22,397)	245,898	(86,599)
Net profit attributable to equity holders used to determine the diluted earnings per share	518,276	713,782	168,947

	2008	2007	2006
	'000	'000	'000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	107,869	101,088	100,361
Effect of dilution:			
Potential incremental shares as a result of share options	434	1,250	1,010
Assumed conversion of convertible debt (ii)	343	5,709	—
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	108,646	108,047	101,371

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

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

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

15. INTANGIBLE ASSETS

The movements in intangible assets in 2008 were as follows:

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

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

(ii) The amortisation charge for licenses and other is recorded under the caption "General and administrative expenses".

(iii) Millicom operation in Sierra Leone (see note 6).

(iv) Acquisitions of Licence refer for $67 million to the license for the Millicom operation in Rwanda (see note 1).

The movements in intangible assets in 2007 were as follows:

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

Net	**183,857**	**154,854**	**128,791**	**467,502**

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

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

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

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

Impairment test of goodwill

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

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

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

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

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

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

The movements in 2008 were as follows:

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

The movements in 2007 were as follows:

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

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

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

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

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

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

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

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

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

17. INVESTMENT IN ASSOCIATES

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

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

	2008	2007
	US$ '000	US$ '000
Opening balance (i)	11,234	6,838
Share of profit (i),(ii)	8,706	4,400
Acquisitions (iii)	1,153	–
Exchange rate movements	(6)	(4)
Closing balance (i)	**21,087**	**11,234**

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

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

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

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

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

18. TRADE RECEIVABLES

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

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

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

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

19. OTHER CURRENT ASSETS

Other current assets are comprised as follows:

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

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

(ii) *See note 25.*

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

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

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

21. SHARE CAPITAL

Share capital and share premium

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

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

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

22. SHARE BASED COMPENSATION

Share options

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

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

Options outstanding	Options exercisable

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

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

Date issued	Number of options outstanding as at December 31, 2008	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.
December 2002, May 2003 and May 2004	20,225	3.32 - 25.05	Exercisable over a three-year period in equal installments. Options expire after six years from date of grant.
May 2005	165,567	20.56	Exercisable over a five year period in equal installments. Options expire after six years from date of grant.
July 2005 and May 2006	100,000	20.56	Exercisable over a three-year period in equal installments from the start of the fourth year. Options expire after six years from date of grant.

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

	2008		2007		2006	
	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	22.60	708,003	21.04	2,380,305	15.96	3,812,387
Granted	–	–	–	–	20.56	50,000
Expired/forfeited(i)	19.02	(44,827)	20.83	(46,430)	28.53	85,539
Exercised	18.79	(169,056)	20.37	(1,625,872)	9.08	(1,567,621)
Outstanding at end of year	**24.23**	**494,120**	**22.60**	**708,003**	**21.04**	**2,380,305**
Exercisable at end of year	**27.73**	**252,624**	**24.59**	**358,574**	**20.91**	**1,807,796**

(i) In 2006, former directors who continue to be employed by related parties of Millicom requested to exercise options that were deemed to be forfeited in prior years. Upon investigation, it was determined that the options should not have been forfeited.

Consequently, all exercisable options granted to former directors who continue to be employed by related parties are presented in these financial statements. This has no effect on share-based compensation in the financial statements as at December 31, 2006 and 2005 as the options were granted prior the adoption of IFRS 2—Share-based payment.

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

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

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

Restricted share grants

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

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

Grants to directors and employees in 2007 were as follows:

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

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

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

Long term incentive plans

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

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

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

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

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

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

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

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

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

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

Bonus shares

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

Total share-based compensation expense

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

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

23. OTHER RESERVES

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

Transfer from retained profit	262	—	—	—	—	262
Net shares issued via the exercise of share options	—	(937)	—	—	—	(937)
Share based compensation	—	11,666	—	—	—	11,666
Issuance of shares – 2006 LTIP	—	(3,963)	—	—	—	(3,963)
Conversion of part of the 4% Convertible Notes	—	—	(38,913)	—	—	(38,913)
Currency translation movement	—	—	—	(60,846)	—	(60,846)
As at December 31, 2008	**15,365**	**30,726**	**—**	**(93,265)**	**—**	**(47,174)**

Legal reserve

On an annual basis, if the Company reports a net profit for the year on a non-consolidated basis, Luxembourg law requires appropriation of an amount equal to at least 5% of the annual net profit to a legal reserve until such reserve equals 10% of the issued share capital. This reserve is not available for dividend distribution.

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

Equity-settled transaction reserve

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

Equity component convertible notes

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

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

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

Currency translation reserve

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

24. BORROWINGS

Borrowings are comprised of the following:

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

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

Borrowings due after more than one year:

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

Borrowings due within one year:

	2008 US$ '000	2007 US$ '000
Corporate debt:		
10% Senior Notes	–	479,826
4% Convertible Notes—debt component	–	178,940
	–	**658,766**
Other debt and financing:		
Bank financing	306,243	83,698
Vendor financing	21,484	5,509
Finance leases	69	–

Total current other debt and financing	**327,796**	**89,207**
Portion of non-current debt payable within one year	168,748	141,112
Total other debt and financing due within one year	**496,544**	**230,319**

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

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

10% Senior Notes

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

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

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

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

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

4% convertible Notes

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

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

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

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

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

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

Other Debt and Financing

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

	2008	2007
	US$ '000	US$ '000
Amnet (i)	231,523	–
Bolivia (ii)	103,111	41,874
Colombia (iii)	456,356	436,670
Democratic Republic of Congo (iv)	63,256	60,877
El Salvador (v)	192,045	199,715
Ghana (vi)	138,999	108,244

Honduras (vii)	90,817	56,961
Paraguay (viii)	64,147	26,019
Senegal (ix)	58,309	62,557
Tanzania (x)	168,793	51,471
Other	137,199	131,137
Total other debt and financing	**1,704,555**	**1,175,525**
Of which:		
due after more than 1 year	1,208,011	945,206
due within 1 year	496,544	230,319

Significant individual financing facilities are described below:

i) Amnet

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

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

ii) Bolivia

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

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

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

iii) Colombia

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

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

BBVA which was settled in 2008. This facility was bearing interest at DTF plus 4.15% and was 100% guaranteed by the minority shareholders.

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

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

iv) Democratic Republic of Congo

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

v) El Salvador

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

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

vi) Ghana

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

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

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

vii) Honduras

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

viii) Paraguay

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

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

ix) Senegal

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

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

x) Tanzania

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

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

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

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

Fair value of financial liabilities

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

	2008	2007
	US$ '000	US$ '000
10% Senior Notes	418,223	489,459
4% Convertible Notes (i)	–	199,000

Other debt and financing	1,706,988	1,173,252
Fair value of total debt	**2,125,211**	**1,861,711**

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

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

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

Guarantees

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

As of December 31, 2008

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

As of December 31, 2007

	Bank and other financing guarantees(i)		Supplier guarantees(ii)		Total	
Terms	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
0-1 year	-	-	-	-	-	-
1-3 years	36,335	50,205	1,200	1,200	37,535	51,405
3-5 years	80,557	102,606	-	-	80,557	102,606
More than 5 years	89,598	166,000	-	-	89,598	166,000
Total	**206,490**	**318,811**	**1,200**	**1,200**	**207,690**	**320,011**

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

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

(iii) *Including discontinued operations.*

The Group's share of total debt and financing secured by either pledged assets, pledged deposits issued to cover letters of credit or guarantees issued by the Company is $1,313 million (2007: $739 million). The assets pledged by the Group for these debts and financings amount to $610 million (2007: $449 million).

25. OTHER NON-CURRENT AND CURRENT PROVISIONS AND LIABILITIES

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

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

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

Provisions and other current liabilities are comprised as follows:

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

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

26. DIRECTORS' AND OFFICERS' REMUNERATION

Directors

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

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

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

(i) See note 22.

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

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

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

Share options	45,000	55,000	100,000

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

Officers

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

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

	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer(vi)
	US$ '000	US$ '000	US$ '000
2008			
Base salary	2,406	750	920
Bonus	1,309	882	125
Pension	—	—	85
Other benefits	—	231	7
Total	*3,715*	*1,863*	*1,137*
Share based compensation: (i)			
Shares issued/charge under long term incentive plans (ii)	3,737	1,410	958
Charge for share options	59	29	240
2007			
Base salary	2,351	629	690
Bonus	2,008	547	500
Pension	—	—	83
Other benefits	—	138	—
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
2006			
Base salary	1,982	624	568
Bonus (iii)	1,669	712	468

Pension	—	—	73
Other benefits	—	138	—
Total	*3,651*	*1,474*	*1,109*
Share based compensation: (i)			
Restricted shares (iv)	104	62	48
Charge for long term incentive plans (v)	1,031	397	265
Share options granted/charge for share options	240	113	228

(i) *See note 22.*

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

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

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

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

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

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

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

Severance payments

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

27. NON-CASH INVESTING AND FINANCING ACTIVITIES

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

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

28. COMMITMENTS AND CONTINGENCIES

Operational environment

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

Litigation

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

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

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

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

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

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

Lease commitments

Operating Leases:

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

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

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

Finance leases:

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

Capital commitments

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

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

Contingent assets

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

Dividends

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness, legal restrictions and the ability to repatriate funds from Millicom's various operations.

29. RELATED PARTY TRANSACTIONS

Kinnevik

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

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

Services purchased and sold to related companies

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

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

30. FINANCIAL RISK MANAGEMENT

Interest rate risk

The interest rate risk generally arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to the risk for changes in market interest rates relates to both of the above. To manage the risk, the Group's policy is to maintain a combination

of fixed and floating rate debt in which neither category of debt falls below 25% of the total debt. The Group actively monitors its borrowings to ensure the compliance with this policy. At December 31, 2008, approximately 26% of the Group's borrowings are at a fixed rate of interest (2007: 43%).

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

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

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

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

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

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures where the Group operates. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. In some cases, Millicom may borrow in US dollars because it is either advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or because US dollar denominated borrowing is the only funding

source available to a joint venture or subsidiary. In these circumstances, Millicom has currently decided to accept the remaining currency risk associated with the financing of its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

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

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

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

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

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

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

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

Capital management

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

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

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

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

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

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

31. SUBSEQUENT EVENTS

Appointment of Mikael Grahne to Chief Executive Officer

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

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

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

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

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

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

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Financial calendar

February 11, 2009
Full year results 2008

April 21, 2009
First Quarter results

May 26, 2009
Annual General Meeting

July 21, 2009
Second Quarter results

October 20, 2009
Third Quarter results

February 2010
Full year results 2009