tigo

Turn on your world.

Millicom International Cellular S.A.

Annual Report and Accounts 2007

Millicom's vision:
Freedom to access today's world for people in emerging markets.

Millicom's purpose:
To produce and sell airtime and content in selected emerging markets to three distinct market segments so that: young people can be collectively cool; families and friends can control their lives; and entrepreneurs and corporations can run their businesses more efficiently.

Millicom's "Triple A" strategy:

Millicom's "Triple A" strategy is focused on three vital and inter-dependent ingredients that are needed to sell prepaid mobile services successfully in emerging markets: Affordability, Accessibility and Availability.

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.

We live by the principle of these three "A"s which is driving both the acquisition of customers and growth in their minutes of use of our services.

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Highlights 2007

Revenue
$'000

07	2,630,614
06	1,576,100
05	922,780
04	665,579
03	420,052

EBITDA
$'000

07	1,113,858
06	717,148
05	438,098
04	307,549
03	187,117

Total subscribers

07	23,354,565
06	14,945,445
05	7,511,265
04	4,847,613
03	3,830,780

Attributable subscribers

07	19,853,015
06	12,840,568
05	6,277,234
04	3,962,608
03	3,070,399

- Total capex of over $1 billion for the full year, reflecting substantial opportunities for growth
- Net debt to full year EBITDA ratio of 0.6 to 1, enabling significant continuing investment
- 8.4 million subscribers added in 2007, up 56% year-on-year
- Repurchase of $90 million face value of 10% Senior Notes as part of a process to improve balance sheet efficiency by retiring debt at the corporate level and replacing it with debt at the operating companies, helping to reduce the overall effective tax rate
- Early redemption of $200 million, 4% Convertible Bonds due 2010, completed in January 2008
- 91% share price appreciation from December 2006 to December 2007
- Special dividend of $2.40 per share recommended by the Board as a result of the one time net cash flow benefit attributable to the sale of Paktel in February 2007, payable after the 2008 AGM

Millicom's shares are listed on the Nasdaq Stock Market under the symbol MICC and on Stockholmsbörsen under the symbol MIC.

Our business at a glance

Millicom is a company that manages to combine high growth with strengthening profitability and cash flow. We are present in 16 countries with a combined population of 287 million. In 14 of our markets, we operate under the Tigo brand which embodies the values of Affordability, Accessibility and Availability which are so important, both to our customers and to the growth of the Company.

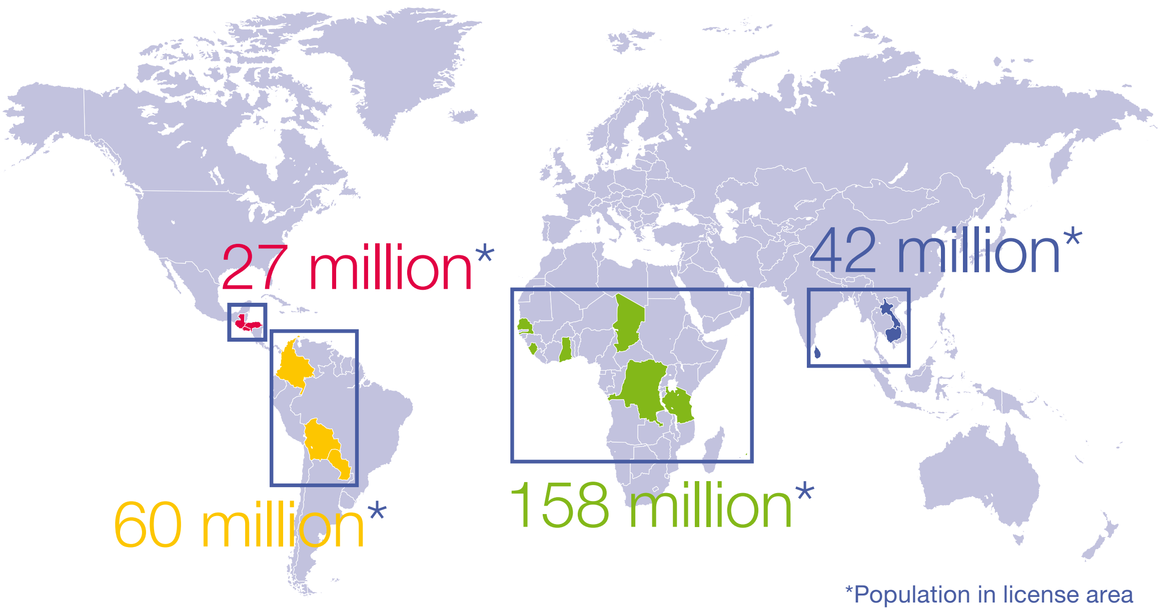
Our regions

Central America
El Salvador
Guatemala
Honduras

South America
Bolivia
Colombia
Paraguay

Africa
Chad
The Democratic Republic of the Congo
Ghana
Mauritius
Senegal
Sierra Leone
Tanzania

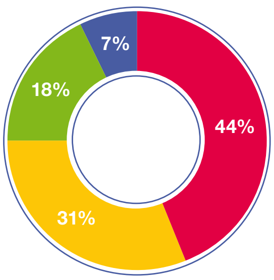
Asia
Cambodia
Laos
Sri Lanka



*Population in license area

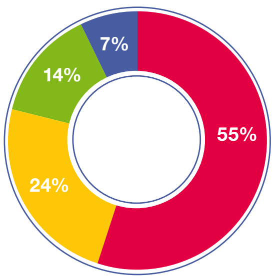
Group performance

Revenue by region



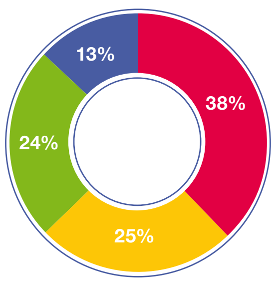
- Central America $1,149,368
- South America $809,881
- Africa $476,593
- Asia $194,772

EBITDA by region



- Central America $608,147
- South America $276,590
- Africa $149,565
- Asia $79,556

Subscribers by region



- Central America 8,824,924
- South America 5,892,726
- Africa 5,672,177
- Asia 2,964,738

Group synergies

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. We can create valuable synergies, especially in purchasing, marketing and management.

Marketing

The attributes of the Tigo brand are marketed using exactly the same concepts and through exactly the same means across our operations. TV advertising campaigns developed in Latin America for example, are copied precisely, but with local actors in Africa, giving enormous cost savings and ensuring the consistent representation of Tigo's visual identity.

Management

Millicom is a global business community, enabling the cross-fertilization of ideas and the transfer of employees, not only within contiguous markets but from region to region so that all operations can benefit from the wealth of expertise that exists in all corners of the Group.

Purchasing

The procurement of network equipment imported into our markets is coordinated in our corporate head office and through dedicated procurement companies, giving improved contract service level agreements and optimal prices with economies of scale.

The Chairman's and the Chief Executive's review

Millicom's success to date is a direct result of past investment 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 will have the freedom to access today's world.

Marc Beuls, Chief Executive (left)
Daniel Johannesson, Chairman (right)

Millicom is one of the fastest growing global cellular operators in the world, taking advantage of the attractive opportunities in the mobile telecommunications industry in emerging markets. Our "Triple A" business strategy will continue to allow us to exploit the fast rising penetration rates in these markets in the coming years. With licenses in 16 countries and a total population in these territories of 287 million and an average mobile penetration of only 31%, Millicom has the potential to produce sector leading growth for many years to come. Our target is to become a leading operator in our markets by better understanding the services that our current and future customers will be looking for and using today's technologies to deliver them as cost-effectively as possible.

Millicom's success to date is a direct result of past investment 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 will have the freedom to access today's world. This is Millicom's mission. Our successful execution of this strategy 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.

We continue to fine tune and develop our "Triple A" strategy to keep ahead of our competitors. We have been continually improving the "Affordability" of our services by lowering reload denominations and tariffs. The most significant affordability initiative of 2007 was the launch of per second billing in Central America on February 7. This represented a price cut of approximately 25% but generated an increase in minutes of use and very strong price elasticity throughout the year. In terms of "Accessibility", we have been focusing on the quality, not just the quantity of our points of sale. Through the growing use of e-PIN, we can monitor when dealers' stocks are running low and, through our territory management system, we can ensure that inventory levels are kept high and that our services are always accessible. With over 480,000 distribution outlets we are leaders in the telecommunications industry but we still have more to do to equal the distribution capability of the fast moving consumer goods

We have shown in 2007 that our substantial and increasing capital expenditure has enabled us to grow our Tigo branded services successfully and to build our market positions.

companies which day to day compete for our customers' attention and the dollar in their pockets. In terms of "Availability" we continue to improve the quality of our networks by lowering our call drop and block rates to negligible levels as well as expanding our capacity and coverage so that a reliable service is available for our customers in as many locations as possible and so that our growth in minutes of use can be sustained.

For the full year Millicom added a total of 8.4 million subscribers, up by 56% year-on-year and this culminated in the fourth quarter with the addition of 3.4 million new subscribers, which was an exceptional result, brought about by the seasonally strong fourth quarter and as a result of marketing initiatives taken earlier in the year. In 2007, revenues were up by 67% year-on-year and EBITDA was up by 55%. In particular the high level of profitability in Latin America is now producing substantial and reliable cash flows. These cash flows will enable the Company to fund its expansion in Africa and Asia where the penetration rates are still low and the growth potential is even greater.

We have shown in 2007 that our substantial and increasing capital expenditure has enabled us to grow our Tigo branded services successfully and to build our market positions. 2007 was the first year in which we have invested over $1 billion, compared to $616 million in 2006, and we are expecting to invest an even larger amount in 2008 as we grow coverage and capacity across our networks. Our capex projections are tightly aligned to our growth expectations. All new investment is expected to give IRRs in excess of 20%, and so our stated intention to increase capex in 2008 is because we can see an opportunity to grow our businesses aggressively.

The results from Central America continue to be strong and again reflect the high level of investment in 2007. The launch of per second billing in all three countries was the "Affordability" initiative which enabled Tigo to maintain its market share across the region. EBITDA margins were an impressive 53% for the year, reflecting our strong market share and high percentage of on-net traffic. In Q4, margins were down slightly to 51% reflecting the record intake in Q4 and the related cost of handset subsidies which were needed to attract additional high value subscribers ahead of the launch of 3G services in 2008. In Honduras, a new fourth license was awarded during the fourth quarter. Launches by the third and fourth operators are likely to accelerate penetration growth but also bring about a decline in our very high market share, although we expect to maintain our strong number one position.
In El Salvador, a new operator entered the market in Q1 2007 and launched a number of initiatives to gain market share but our pre-emptive action in moving from rounded minutes to per second billing enabled Tigo to hold its market share despite this new competition. Likewise in Guatemala, we continue to hold our market share bolstered by the successful implementation of our "Triple A" strategy which has enabled us to increase market share by over 10 percentage points in the last four years.

In South America, all three businesses continued to grow strongly in 2007. Paraguay continues to go from strength to strength and today over 30% of recurring revenue comes from Value-Added Services (VAS). This is predominantly SMS traffic, including information and interactive services, but also includes data and other downloads such as ring tones. We believe that VAS will be an important driver and steps are being taken to implement the successful Paraguayan VAS strategy into other markets in Latin America. The South American margin was 34%, down from 37% last year, and this was due to the lower margins in Colombia. On December 7 further pressure was put on margins in Colombia when the regulator cut interconnect rates from $0.12 to $0.06. Tigo, as the third operator, will benefit from this cut in the medium term, as it will open up the market to competition, but there is a short-term impact to revenues as Tigo has historically had more incoming than outgoing calls. Both Revenues and EBITDA were impacted in December and this will continue throughout 2008, although the impact will be mitigated by our marketing initiatives over the course of the year. However, Colombia has performed well in 2007 with steady growth quarter on quarter, culminating in 267,000 new subscriber additions in Q4. We are still on track to reach our market share target of 20% in Colombia in the next few years.

In Asia, Millicom completed the disposal of its Pakistan operation to China Mobile for $460 million. We are now focused on three countries in Asia where we can build market leadership. Sri Lanka continues to grow strongly with EBITDA margins in excess of 50% following a substantial increase in capital expenditure in the network. Across our Asian operations we anticipate increased competition as new players are expected to enter in 2008. However. because of our strategy, we are well placed to grow and benefit from the overall growth in the market that new competition will undoubtedly bring. Overall Asia has performed better in 2007 than in 2006 and we expect this momentum to be maintained in 2008.

Today the African markets have the greatest potential for high growth, despite having the lowest GDP per capita; with penetration rates ranging from 7% to 31% (excluding Mauritius) and 158 million people under license, the opportunity is great. Our experience suggests that our low cost, prepaid model will be the winning strategy in these markets and so we continue to focus on the roll-out of our business model. In 2007, African revenues grew by 53% to $477 million, although because of expansion in new markets the EBITDA margin fell to 31% for the year. It is expected that this margin will gradually improve going forward. The strong subscriber growth has been encouraging with our African operations ending the year with 5.7 million subscribers and for the first time over 1 million subscribers were added during a quarter in Africa in Q4. This acceleration in the second half of the year was due to the affordability initiatives introduced earlier in the year and which continue to be a factor in Ghana, Tanzania and Senegal. The Democratic Republic of the Congo and Chad are also gaining traction despite the heavy costs of building out the new and extended networks where there is a lack of transportation and power infrastructure, but improving results in these two markets will help the overall EBITDA margin for Africa.

Today Millicom has an exceptionally strong balance sheet with a low gearing, net debt of $660 million, a net debt to EBITDA ratio of 0.6 to 1 for the full year and cash and cash equivalents of $1.2 billion. Millicom's priorities

Millicom has always been focused on providing customers with the services that they demand and we believe that to succeed it is vital to be flexible in our approach.

remain to expand investment in our 16 countries and where possible to add additional territories to exploit the current growth opportunities. However, following the sale of Paktel, the Board is recommending a special dividend of $2.40 a share as a one time event. The Board will formulate a dividend policy in the coming months but it will be dependent on the long-term cash flows within the business and the priority will still be to invest for growth.

The Company recognizes that our capital structure, which is a legacy of our restructuring in 2003, is not optimal. Therefore we are taking a number of actions to increase balance sheet efficiency. We will continue to increase the leverage of the operating companies and to de-leverage the holding company to lower the consolidated tax rate and to remove potential restrictions on future payments to shareholders. We have repurchased $90 million face value of the 10% Senior Notes and we intend to enforce the right to redeem the remaining Notes in December 2008. Also after the year end, Millicom forced the conversion of its $200 million convertible bond with a two year reduction in interest expense of $35 million and giving the ability to push further debt to the subsidiary level.

In 2006 Millicom started the process of strengthening its executive management team and this process continued in 2007 with the appointment of Henri Vander Stichele as Chief Supply Chain Officer and Steven Jurgens as Co-Head of Africa. Building our Human Resources is one of our top priorities and this remains a challenge for us in Africa where there are insufficient candidates with sector management experience. We have continued to make appointments in Africa by drawing on the surplus of managers that our success in Latin America has created and this exchange of personnel ensures that all operations can benefit from the wealth of expertise within the Group as we work hard to recruit and develop local talent.

The Sarbanes Oxley Act of 2002 (SOX) introduced strict rules regarding all US registered companies' abilities to demonstrate effective internal controls over financial reporting. In 2007, Millicom continued to improve its reporting and again concluded that its internal control environment over financial reporting was effective in the second year of compliance under SOX for foreign registrants. This year Millicom has made many improvements in its operating processes and today is beginning to match "best-in-class" companies.

Millicom today is also focused on its corporate and social responsibility towards its stakeholders. In 2007 the Board approved expenditure on community initiatives that will predominately be associated with education. A new central function will coordinate and govern these initiatives and will also oversee the compilation of Corporate Position Papers on key issues affecting the business and the industry as a whole.

Millicom operates in some countries which have immature political systems. In these countries governments are working in conjunction with the United Nations to improve the political process, as it is clear that increased political stability enhances the economic prospects of these countries. In 2007 progress has been made in The Democratic Republic of the Congo and the peace process in the eastern provinces is allowing us to roll-out our network to these regions. On the other hand, instability can slow development and this is seen in Sri Lanka where the conflict in the north of the island stops our network roll-out and in Chad where rebel activity has at times affected our ability to operate. Overall 14 of our countries have democratically elected governments and in the last ten years their political processes have greatly improved bringing such benefits as increased regulation and legal certainty.

Since the middle of 2007 there has been uncertainty in the banking and financial sectors as the effect of the sub-prime mortgage issues flow through the US and European economies. Millicom has not experienced any changes in its local markets due to this situation, although we monitor events closely. Generally speaking, our markets are not closely integrated into developed markets, although Central America is building closer trading relationships through CAFTA. A number of our countries receive inflows of funds from friends and relatives working in developed markets and this is particularly true in Central America but we have not seen any slowing in the Central American businesses to date, but rather a record intake of subscribers in the fourth quarter. In terms of liquidity Millicom is still able to borrow on good terms from both international and local banks and continues to increase its borrowings at the local level as we move debt from the corporate level into the subsidiaries. This balance sheet restructuring will be completed with the calling of the 10% Corporate Bond in December 2008.

Another issue that has affected some emerging markets is the rise of food prices on global markets. Millicom has not seen any adverse impact related to global food prices and we believe this is due to the fact that most of the food for local consumption is home-grown. However, countries such as Paraguay, which exports grain and beef, and Colombia which exports coffee, will see their economies benefit from these price rises. We also believe that our products and services are essential for basic communication which is relatively high on the list of customers' needs and therefore consumers may make sacrifices elsewhere to continue spending on our services.

Millicom has always been focused on providing customers with the services that they demand and we believe that to succeed it is vital to be flexible in our approach. We are looking at how best to offer broadband to the affluent segment of our markets as these customers will demand the freedom to access not only today's but tomorrow's world. In Latin America, as the number one operator in four markets, we have a high share of these affluent customers and so these countries will be the focus of our broadband strategy. Today we offer broadband in a number of ways, through WiMAX, by way of our fiber-optic backbone rings and soon we will be rolling out 3G across Latin America which will be focused on capturing this broadband data. Our target will be to provide full IP networks to ensure that we provide the highest network speeds in the market.

The outlook for 2008 is encouraging. We are growing our market share by continuing to drive down the entry price for our services, which is particularly important in Honduras, Ghana, Senegal, Sri Lanka and Cambodia, where we are expecting to see new competitors launching

Today Millicom has a very strong balance sheet which will enable the Company to continue to exploit its strong market positions in 16 of the best growth markets in the world.

services during the year and we need to maintain our price leadership. Growth in our 16 core markets will continue to be fuelled by investments in the networks and increased points of sale through innovative distribution channels and techniques. Capex for 2008 is anticipated to be over $1 billion with significant spend across all operations. 2008 has started well across all regions. Mobile penetration rates have been rising, particularly in Latin America, but subscriber growth continues to be strong and there is a growing consumer demand for broadband which could be the next driver of growth. We will be evaluating our options for broadband as we launch 3G services across our operations, starting in Latin America in 2008.

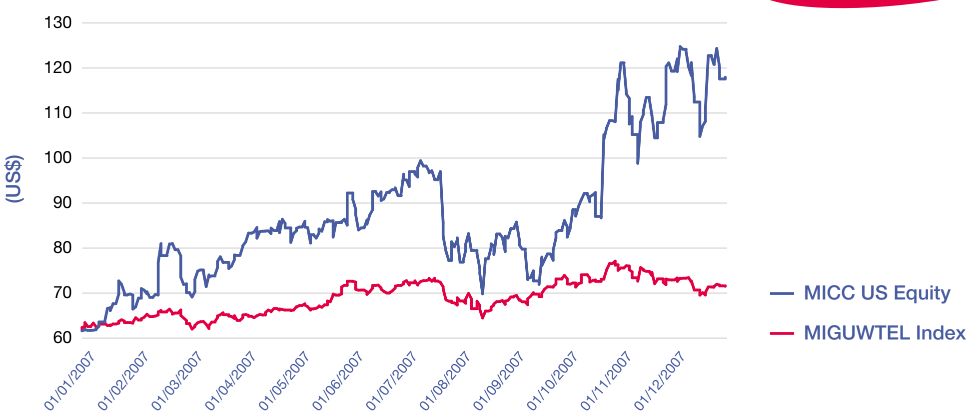
Today Millicom has a very strong balance sheet which will enable the Company to continue to exploit its strong market positions in 16 of the best growth markets in the world. This financial strength by way of very low leverage enables us to look at new options to generate shareholder value and today's uncertain economic climate may bring a variety of opportunities.

Daniel Johannesson
Chairman

Marc Beuls
Chief Executive

91% share price appreciation from December 2006 to December 2007 and outperformance versus the MSCI World Wireless Telecom Services Index

Millcom vs MSCI World Wireless Telecom Services Index



Review of operations:
Central America

Millicom's Central American cluster continues to represent the lion's share of Millicom as a whole and in 2007 accounted for 44% and 55% of Group revenue and EBITDA respectively. Subscribers grew by 71% year-on-year to 8.8 million, enabling revenues for 2007 to increase by 44% to $1,149 million and EBITDA to grow even faster at 46%, ending the year at $608 million. Tigo is the market leader in all three countries in Central America and continues to expand in these prosperous markets through its innovative approach to attracting and retaining customers. The focus in 2007 was on the continued growth of the traditional prepaid and postpaid voice business, by increasing affordability and accessibility, and on the expansion of value-added data services through the launch of new products and improvements in the quality of the data networks.

Highlights

- Per second billing launched in February 2007 across our Central American operations
- Tigo in Central America ended 2007 with 143,472 points of sale, a 45% increase over 2006
- The number of cell sites in the region increased by 70% to 2,891
- SMS penetration reached 75% of the subscriber base in 2007 and VAS revenue increased by almost 120% year-on-year

Products and pricing

The Central American cluster has continued to grow rapidly during 2007. A major contributor to this growth has been the launch of per second billing at the beginning of the year. In the case of the Central American markets, the introduction of per second billing represents an effective 25% price cut which immediately benefits existing customers, attracts new customers who also benefitted from significant decreases in handset prices in 2007, and as usage increases, results in strong price elasticity. We also lowered the prices of prepaid kits, reduced international rates by 60% in Honduras and introduced more double and triple balance promotions and "Tigo Days" with special commercial offers as part of our push to improve affordability.

The e-PIN application, successfully launched in the entire region last year, continues to transform the way prepaid top-ups are performed. As the use of e-PIN has considerable cost advantages over the distribution of scratchcards, Tigo is today able to offer top-ups as low as $.0.25 in El Salvador and approximately $0.50 in Guatemala and Honduras. Electronic top-up has also evolved through the GIFT and "Give me Balance" products. GIFT allows customers to share their balance with other Tigo subscribers in a simple handset to handset transaction. It was originally launched as a prepaid only service but now postpaid customers also have the capability of sharing their balance with prepaid subscribers. "Give me Balance" takes this service a step further by allowing prepaid customers to request a balance transfer from another Tigo customer by means of a free SMS. Both these products further improve the accessibility of our services and they will continue to be developed to become even more interactive for the customer.

Considerable emphasis was also given to the development of Value-Added Services (VAS) such as ring back tones and other new SMS and premium content services which were introduced in all three markets. During the year, we launched a number of new attractive offers to promote these services and we advertised them aggressively, resulting in a significant increase in their usage, to the extent that SMS penetration reached 75% of the subscriber base in 2007. Blackberry services were also launched very successfully across the region, aimed mainly at the corporate market segment but also adopted by some individual consumers. By the end of the year VAS revenues in the region had grown by almost 120%.

Visibility of Tigo

At the end of 2007, our operations in El Salvador, Guatemala and Honduras served 8.8 million customers, representing an increase of 3.7 million subscribers or 71% over 2006. This dramatic increase would not have been achievable without the exploding rate of visibility of the brand through outlets, which has outpaced that of our competitors, and by the use of effective promotional campaigns. At the end of 2007 there were 143,472 points of sale in the region, an impressive increase of 45% compared to last year's number. In 2007, more Territory Managers were employed under the Distribution Management System, which is a global initiative to ensure that Tigo is taking advantage of the opportunities on every street and around every base station. In Central America fewer wholesalers are being used in favour of direct sales and today Tigo products are sold by taxi drivers, fast food restaurants and college students, helping to make Tigo accessible everywhere and anywhere. Today, Tigo has amongst the best distribution channels in the region and we are continually finding new ways of efficiently developing and expanding this network. Tigo continues to collaborate with important companies such as Pepsi, Shell, Procter & Gamble and Coca-Cola in joint promotional campaigns.

As part of an initiative to explore new markets for prepaid sales, TIGO USA was launched in collaboration with IDT (the most important international prepaid calling card network in the US), allowing customers in the US to buy scratchcards and to reload friends and family members in Tigo's networks in Central America. The service has proved very popular as it allows US residents to communicate with friends and relatives in a very cost-efficient way. Since its launch, local distributors and a local bank have joined the distribution channel in the US market.

Capacity and coverage

The significant subscriber intake during the year was coupled with a significant extension of the network, both in terms of coverage and capacity, to fulfil the needs of our customers and to ensure the availability of services. GSM capacity was acquired to meet demand and also to prepare for the next generation of mobile technology in this region.

By December 2007, we had added 1,186 cell sites across the region, an increase of 70%, bringing the total to 2,891 sites. The focus of the expansion has been to ensure quality coverage in new rural areas and to assure capacity availability and coverage expansion in existing ones.

All of Millicom's Latin American operations worked together in a regional tender in 2007 in order to purchase soft switches for the network in preparation for the implementation of 3G services.

Market developments

In 2007, the competitive landscape in El Salvador and Honduras changed with the arrival of new market entrants. In addition, a fourth GSM license was awarded in Honduras in December 2007.

Outlook for 2008

There are three main areas of focus for 2008 in the Central American region, the first of which is data provision, which will enhance Tigo's product offering to better serve the needs of all our customers in all ARPU segments. The roll-out of 3G is under way with services expected to be launched during the second half of the year. The 3G network can be built as an add-on to our existing infrastructure and within existing frequencies, allowing Tigo to implement a cost-effective solution for the next generation of high-speed data transfer. We are also implementing wireless WiMAX technology to provide data services to the SoHo (Small office, Home office) market segment.

Secondly, we will continue to grow and promote our portfolio of Value-Added Services which are currently sustaining ARPUs in the region. Thirdly we will continue to drive the affordability, accessibility and availability of our services. We have introduced a system of market segment analysis in order to develop specific innovative products tailored to each segment, so that we are providing our customers with the services they want, and this will enable us to maintain our market leading positions in the region.

Review of operations:
South America

Our South American cluster continued to grow strongly in 2007. Our Colombian operation, acquired in October 2006, has been gaining traction and we continue to see the benefits of the work we have done in the region implementing and reinforcing our "Triple A" strategy. Revenues for the cluster increased by 152% to $810 million in 2007 and EBITDA increased by 134% to $277 million. Excluding Colombia, the growth in revenue and EBITDA was 57% and 74% respectively. The subscriber intake for the region was 1.6 million and at the end of 2007 Tigo had 5.9 million subscribers, an annual increase of 36%.

Highlights

- 62% increase in subscribers in Paraguay in 2007 and increase in market share to 50%
- Launch of e-PIN in Bolivia and Colombia, driving both affordability and accessibility
- Tigo outlets increased to 128,277 across the cluster
- Total cell sites across the region increased by 59%, reaching 3,131 by year-end with the speed of roll-out more than doubling that of 2006
- Total subscribers in Bolivia by year-end exceeded 1 million
- VAS revenue reached 31% of recurring revenue in Paraguay by October 2007
- Renewal of 1900MHz license in Paraguay until 2012

Products and pricing

Affordability initiatives were introduced across the region in 2007 and particularly in Colombia, where the introduction of lower tariffs, the lowest denomination scratchcards ($0.50), balance carry-over for prepaid customers, double balance days and off peak promotions all significantly enhanced the perception of Tigo's price leadership in its first full year of operation.

In Bolivia, the focus in 2007 was on accelerating the migration of TDMA subscribers to the GSM network through attractive GSM tariffs. This process will continue until the TDMA network is entirely phased out by the middle of 2008. In August Blackberry services were launched and, to attract the corporate segment, a product called "Bolsa de minutes" (Bag of Minutes) was launched allowing easy balance transfers within a group of customers, helping corporate users to distribute minutes to their employees. In November, the "Gift" and "Give me Balance" services were launched in Bolivia, enabling peer to peer gifts and requests for balance. In Paraguay a "Mini Tariff" was introduced, allowing subscribers to ring a favourite on-net number at a 50% peak tariff discount for one year.

Paraguay remains the Group leader in terms of Value-Added Services (VAS). VAS revenue grew by 118% year-on-year and by October 2007, VAS accounted for 31% of recurring revenues in Paraguay. A number of new services were introduced including Ring Back Tones, SMS International and SMS Gift but the strongest contribution to this growth came from our Electronic SMS recharge service, the tariffs for which were reduced by 13% during the year. A similar service, which allows customers to buy e-PIN recharges at banks, supermarkets, cooperatives and other financial entities, was launched in Bolivia. The introduction of new VAS has also been a driver of growth in Colombia. SMS and GPRS penetration rates in the market have grown steadily and new services such as Blackberry, Ring Back Tones and SMS Interactive were launched.

In April and December, e-PIN was launched in Bolivia and Colombia respectively, facilitating the distribution and sale of minutes. In Paraguay, e-PIN now accounts for 78% of the total recharges with reloads starting at $0.40.

Visibility of Tigo

Tigo in South America has continued to improve its distribution through non-traditional channels in order to "be everywhere" and has developed several new marketing activities in order to tell the Tigo story. In Paraguay and Bolivia, Tigo has reached more young and active people through the sponsorship of concerts and sporting events, thereby increasing brand awareness in this important customer segment. We celebrated both adding our one millionth customer in Bolivia and our 15th Anniversary in Paraguay with the launch of promotions consisting of raffles amongst all active subscribers. These promotions, because of the attractive prizes, were successful drivers of new subscriber growth.

One of the biggest achievements in improving the accessibility of our services in 2007 was in Colombia where an AC Nielsen research report showed that Tigo had the highest number of points of sale with inventory of all operators and the second largest share of prepaid reloads in the country, despite being the third operator with less than 10% market share. The results of the survey are testament to the huge effort that has been made in improving accessibility and visibility in line with our strategy of emulating the Fast Moving Consumer Goods industry's distribution model; more than 33,000 painted façades, signs and billboards were installed during the year. By year-end Tigo had more than 100,000 reload points in Colombia, driven

in part by the launch of e-PIN in November. In conjunction with this accessibility push, we have also attempted to keep subsidy costs under control in Colombia by promoting the benefits of the Tigo SIM card. Through these SIM card campaigns, we have been able to obtain around 50% of monthly gross additions without a subsidy.

Tigo is today readily available at 128,277 outlets throughout our South American cluster which is a key factor of our success in the region.

Capacity and coverage

By the end of 2007 there were 3,131 operational cell sites across South America, an increase of 59% over the prior year. Tigo now reaches 80% of the addressable population in Paraguay. In order to meet demand, the speed of roll-out was increased from an average of 6 sites per month in 2006 to an average of 16 per month in 2007. We also implemented the largest fiber-optic network in Paraguay in order to fulfil high traffic demand and continuous voice and data traffic increases. Around 1,400km of national and metropolitan fiber was deployed, connecting the three major cities of Asuncion, Ciudad del Este and Encarnación. In December, we added a second Short Message Service Centre (SMSC) to cope with the considerable growth in SMS traffic as a result of our VAS promotions.

In Bolivia, 169 new sites were installed in 2007, bringing the year-end total to 367. In Paraguay, we brought 196 cell sites into service to reach 455 sites by the end of 2007. In Colombia, 800 cell sites were installed in 2007, enabling Tigo to achieve population coverage of 77%.

Market developments

On December 7, 2007, the regulatory authority in Colombia reduced the interconnect fee from $0.12 to $0.06. In the short term, revenues in Colombia are impacted as Tigo has historically had more incoming than outgoing calls. We used this reduction in interconnect costs to reduce our outgoing tariffs and, due to the price elasticity that we believe exists in this market, we expect to offset the impact of the interconnect change gradually as we progress through 2008. Long term, we believe that the cut in interconnect rates will be beneficial, especially for Tigo as the third operator.

In Paraguay, the 1900MHz license was renewed for an additional five year period and the regulator approved an additional investment for network expansion under the 800MHz license.

In Bolivia, licenses for new cell sites are being updated to fulfil municipal requirements and those of the regulator and civil organizations and base station installations will be accelerated as a result.

Outlook for 2008

Our operations in South America will continue to grow in 2008 through our focus on developing innovative new products, Value-Added Services and promotions. The roll-out of 3G is under way and we expect to launch 3G services in the second half of 2008 in order to meet the demand for data services amongst our higher ARPU customers. Throughout the region the goal is to have brand leadership across all market segments and, together with new product and service initiatives, this will be achieved through increasing SIM card points of sale, e-PIN penetration and visibility, which are now the responsibility of dedicated territory managers. We will continue to invest in the network to ensure there is sufficient coverage and capacity to accommodate traffic growth. In South America we continue to see higher growth rates for EBITDA than for revenue, which in turn is higher than subscriber growth. Our particularly strong success with Value-Added Services is helping to drive this trend and we hope to see this replicated in all our markets in the future.

Review of operations: Africa

During 2007, the operational focus in Africa was primarily in support of the "Triple A" strategy. We focused mainly on building the brand image of Tigo, improving its visibility and affordability and on introducing more innovative products to remain ahead of our competitors. We also focused on expanding the geographical coverage and capacity of our networks as efficiently as possible.

Throughout the region we further reinforced our distribution networks and successfully began the roll-out of improved distribution management systems. These initiatives contributed to the impressive performance of Africa, especially in the second half of 2007. Subscribers increased by 66% from 2006, with over 1 million subscribers added in the fourth quarter, which contributed to revenue growth of 53% to $477 million and EBITDA growth of 22% to $150 million.

Highlights

- 2.2 million subscribers added in Africa in 2007, a year-on-year increase of 66%
- Launch of Tigo in The Democratic Republic of the Congo in January 2007 as a totally electronic service (100% e-PIN)
- Launch of Blackberry services in Senegal and Mauritius
- New 25 year national license granted to Tigo in Tanzania

Products and pricing

During the year 2007, the African operations introduced several attractive products and flexible tariff regimes to pre-empt competitor initiatives and to provide affordable communications to meet market expectations. There were general tariff reductions for voice and SMS and SIM kit price reductions throughout the cluster to drive our price leadership which, combined with strong media and outdoor marketing efforts, allowed Tigo to grow its customer base significantly by the end of the year.

In Ghana, a promotion named "Xtreme Value" in which the subscriber activates the service and is billed either $1 for free on-net calls for 12 hours from 6am to 6pm or $2 for free on-net calls for 24 hours, led to an increase in daily subscriber intake of over 400% from its launch in October 2007 to December 2007 and a 62% increase in minutes of use, as well as a reduction in the number of disconnections. In The Democratic Republic of the Congo we launched a similar initiative called "All you can eat" which produced strong subscriber intake and enhanced the value of the Tigo brand across the country. In Tanzania, we launched several SMS based promotions including "Give me Balance", which allows peer to peer balance transfers and "Tigo Life", an SMS subscription product which provides a number of additional Value-Added Services, with outstanding customer uptake.

In Senegal, we introduced a flat national rate from 8am to 6pm in August and, in under a week, revenues were higher than before the price change. In December, a competitor copied our flat national rate which resulted in a 40% increase in both incoming minutes and revenues for Tigo Senegal in one month, demonstrating that being the first operator to introduce pricing initiatives can often produce double benefits: firstly at the time of launch and secondly when competitors copy these initiatives. Per second billing was introduced in Mauritius during the year, adding to the benefits of e-PIN which today has denominations of $0.80 and represents over 50% of transactions in that market.

All these and other country-specific product and pricing initiatives contributed significantly to the overall impressive growth in the cluster in 2007.

Visibility of Tigo

One of the biggest challenges for our operations in Africa, where infrastructure is the least developed, is the establishment of a distribution system that meets our accessibility objectives. Our operations in Ghana, Tanzania and Sierra Leone are focused on successfully completing the Distribution Management System (DMS) project which was launched in 2007 to ensure maximum product and service delivery throughout the marketplace. This will ensure that we can better manage our distribution networks and maintain the momentum to enable us to achieve our targets. Similarly, in Mauritius, a Distribution Operation Center was created in 2007 giving on-line status reports of e-PIN stock in distribution outlets. In Chad and The Democratic Republic of the Congo, where over 99% of reloads are via e-PIN, the stock of airtime in the market can easily be topped up on a daily basis through the growing network of resellers. It is our intention to increase the proportion of prepaid airtime sales over e-PIN in every African market.

Accessibility continued to be improved throughout the cluster through the use of freelancers, the use of exclusive dealers in some markets and the opening of more Tigo shops in smaller towns. In all markets, launches in new cities featured popular cultural events and performances to maximize visibility and strengthen the youthful and dynamic attributes of the brand. In Tanzania, we held mini roadshows to tap into the rural market and in the second half of the year, 20% of monthly activations occurred at these roadshows, thanks to the efforts of the new Direct Sales Force. University students in Tanzania were similarly reached through their cultural and sporting events by the Direct Sales Force. In Sierra Leone, a direct distribution team was put in place, first in Freetown, and after a successful trial, was extended to some of the most important cities in the provinces which led to a dramatic improvement in the distribution network without any increase in costs. Direct distribution teams now contribute 35% to 40% of total monthly sales in Sierra Leone. In Mauritius, freelancers contributed 20% of e-PIN sales in 2007.

This distribution push in Africa has been strengthened by visibility initiatives such as wall painting and through cost-efficient marketing campaigns copied from Millicom's Latin American markets.

Coverage and capacity

Improvements in network coverage and capacity continued throughout Africa in 2007. In Ghana, the number of cell sites increased by 63% during the year and the latest and most efficient mobile switching center software was installed. Today Ghana's coverage reaches all districts of the country and the focus is now on moving into the commercially viable towns and villages and also to increase capacity for high traffic areas. We maintained very good network quality in Ghana in 2007 despite some power supply problems which affected our competitors more seriously and we received commendation from the industry regulator as a result. In Tanzania we carried out a review of the overall network roll-out strategy in 2007 to improve the performance of the various teams involved. This focused particularly on site allocation and the implementation of proper procedures to ensure optimization in terms of coverage, commercial needs, quality and implementation cost. In Sierra Leone the new coverage launched in several towns and cities in the northern and eastern regions of the country was complemented by the deployment of several GSM1800 base stations for the first time in our network. Sierra Leone also acquired a WiMAX License and a further 10MHz Band in GSM1800.

In the French speaking countries of the African cluster where the focus of network expansion is more on coverage than capacity, we have deployed outdoor base stations wherever feasible with the aim of reducing the OPEX of our sites and increasing our roll-out speed. In Mauritius, the first Millicom market to launch 3G services, HSDPA and WiMAX networks were launched in 2007 and a new Microwave backbone was installed to handle the growth in data traffic. Plans for an underground fiber-optic backbone are in progress. By the end of the year cell sites across our operations in Africa exceeded 2,100, an increase of approximately 59% over 2006.

Cost savings continue to be made through Group level procurement coordinated by Millicom's head office, allowing faster and farther reaching network expansion in these operations which is essential in order to capitalize on their growth potential.

Market developments

On May 17, 2007 The Tanzania Communication Regulatory Authority (TCRA) granted Tigo a new national license for 25 years until 2032. The new license has three categories: National Network services, Usage of Radio frequency spectrum and Provision of Application services. The regulator in Tanzania has also decided to introduce the Central Equipment Identification Register (CEIR) and prepaid mobile customers' registration system from 2008 onwards. Interconnect rates were reduced in 2007 in Tanzania and in Senegal producing cost savings for Tigo. In Ghana we paid the fourth installment ($6.5 million) for the license fee which leaves a current balance of $2.5 million. We are also prospecting for a 3G license in Ghana with a bid price of $10 million. In Senegal, a second global telecom license including a 3G license was awarded to Sudatel in September 2007 and a new nine digit numbering plan was successfully implemented in preparation for the anticipated increase in mobile penetration when the third operator launches services in 2008.

Outlook for 2008

The year 2008 is expected to be another year of strong growth in Africa, mainly driven by our aggressive plan to improve our network. We will continue to focus on providing resilient networks that are always ahead of commercial activities, so as to maintain ample network capacity as a competitive tool to support our strategies. Our strong price leadership position will be maintained and the affordability of our services improved further with the launch of new products and services directed to the young segment, a market clearly attached to our Tigo brand. Our distribution networks will also continue to be improved through the roll-out of our Distribution Management System so that we can meet the increasing demand for our products and services as we start to enter the steep stage of the J curve of penetration growth in Africa and target the mass-market.

Review of operations: Asia

In February 2007, Millicom completed the sale of its 88.86% shareholding in Paktel Limited, and exited from Pakistan. Millicom's operations in Asia: Cambodia, Laos and Sri Lanka, added 939,113 subscribers in 2007, bringing the year-end total to just under 3 million, up 46% from the prior year. Revenues were $195 million, up 33% year-on-year and EBITDA was $80 million, up 30% year-on-year, producing an EBITDA margin of 41%.

The operating focus during the year was on establishing the Tigo brand in Sri Lanka and Laos following its launch in January and March 2007 respectively, and on improving the affordability, accessibility and availability of products and services in all markets in order to drive growth in subscribers, revenue and profitability.

Highlights

- Launch of Tigo brand in Sri Lanka and Laos
- Introduction of per second billing in Cambodia and Sri Lanka
- Expansion of 3G services and launch of HSDPA services in major cities in Cambodia
- Launch of Blackberry services and launch of Tigo Zone in Sri Lanka
- Launch of postpaid services in Laos

Products and pricing

2007 saw the introduction of several innovative new products across the region in conjunction with and following the launch of Tigo in Sri Lanka and Laos, as well as measures to improve affordability across the region. Most importantly, we launched per second billing, a market first, in Cambodia and Sri Lanka, with strong increases in new subscriber additions as a result. In order to fuel subscriber growth and reduce churn further, connection prices were driven down significantly in all three operations to as low as $2 in Laos.

Affordability of our services was further enhanced with promotions such as the Bonus Airtime in Sri Lanka at the launch of Tigo, which led to an increase in minutes of use of over 20%. A similar scheme was launched in January 2008 in celebration of Tigo's first anniversary to reward customers according to the time they have been with Tigo. We also launched new friends and family tariff plans and "Give me Balance" services to facilitate sharing of value amongst the Tigo community. Reload values via e-PIN were also driven down to as low as $0.25 in Cambodia.

In all three markets, we launched new Value-Added Services (VAS) and achieved our targets in terms of their share of recurring revenue. In Sri Lanka, revenue from VAS increased by 95% year-on-year, following the launch of Voice SMS and PRBTs (Personal Ring Back Tones) as well as Blackberry services and other initiatives. In Cambodia, a new SIM menu was introduced, enabling customers to access services, including GPRS services, at the touch of a button. There have also been developments in roaming and by the end of the year 21 operators had been signed up for inbound GPRS roaming in Laos and 30 new networks had been added in Sri Lanka.

During the year there were also developments in the provision of data services in Asia. In Cambodia we successfully expanded the 3G network and launched HSDPA services in Phnom Penh and Siem Reap with a view to expanding into other major cities in 2008. The package includes live TV, high-speed data access and other premium content aimed at high-end corporate customers. In Laos, we are in the final stages of the preparation for the launch of WiMAX services, expected within the second quarter of 2008.

Visibility of Tigo

In 2007, the number of sales outlets increased by 41% in Sri Lanka, 66% in Cambodia and 66% in Laos with e-PIN outlets continuing to provide the largest contribution to this growth in each market. We achieved these improvements in outlet numbers in Sri Lanka with the addition of non-traditional outlets to the network such as pharmacies, bookshops, universities and factory canteens. Sri Lanka was the birthplace of Millicom's mass-market distribution concept and Tigo maintains market leadership in terms of visibility by continually opening up new distribution channels and through wall painting.

In Cambodia, our system of Territory Management which was launched in 2006, was fully operational by May 2007, with seven territory managers providing an unprecedented level of market information from the field and driving new connection and distribution outlets throughout the country. The managers visit every outlet twice a month to strengthen business relations and to ensure that the products and services are always on hand and well positioned and presented. While the Tigo brand is not used in Cambodia, the Cellcard brand adheres to our "Triple A" strategy and an independent survey in 2007 found it to offer the most preferred service with the best value, the best affordability and the most comprehensive Value-Added Services in the market. In Laos, a new sales force was introduced in 2007 which complements the existing channels of distribution and now contributes 30% of gross subscriber additions per month. At the end of the year, distribution outlets across Asia totaled 48,589, up 56% from 2006.

Coverage and capacity

Improvements in the affordability and accessibility of our services creates a need for additional network coverage and capacity and our operations in Asia continued to invest in their networks in 2007. In Sri Lanka, we added 197 cell sites to reach 637 by the end of 2007. In Cambodia we entered into a four-year, technology-protected agreement with our primary network vendor, based on volume purchases of equipment and including IP copyright and technology upgrade protection clauses, realizing significant cost savings. We are also using hybrid solar energy solutions for coverage sites, which keeps operational costs down and increases the amount of potentially suitable sites and, by using prefabricated shelters, we have more than halved site build times. In Laos, a microwave backbone was deployed to connect the capital city Vientiane to three of the four main provincial cities and this will be extended in 2008 to reach the Cambodian and Vietnamese borders. We also improved the quality of our coverage areas and launched services such as GPRS/EDGE, Ringback Tones and also Postpaid. A WiMAX project was launched in the second quarter with the support of Millicom's operation in Paraguay and this multi-territory procurement ensures prices remain competitive.

By the end of the year, cell sites across our operations in Asia totaled 1,678, a 53% increase over 2006.

Market developments

The competitive environment in Asia saw many significant developments in 2007 and into 2008. In Cambodia, an existing operator, CamTel, wound down its operations and Applifone, a Kazakhstan based company, launched services in Phnom Penh in the second half of the year under the brandname Starcell. Another company, Cadcomm, plans to launch a 3G network some time in 2008 to target high end corporate clients. Viettel, the Vietnamese operator is also expected to begin building out its network in Cambodia shortly and has also entered into a joint venture with LAT (Lao Asia Telecom) in Laos. In Sri Lanka, a fifth operator Airtel from India, is expected to launch in 2008.

In Cambodia, the regulator has issued new licenses since 2006, bringing the total number of licenses issued to 13, and is in the process of restructuring the spectrum to accommodate the new operators. The restructuring saw our frequency allocation reduced, although this will not affect our ability to set up calls and carry traffic for projected subscriber growth. A draft telecommunications law is being reviewed with a view to separate the regulatory from the policy making functions although it is unclear when this will be approved by parliament. In Laos, the government put in place a new telecoms regulator, the National Post and Telecommunications Authority (NPTA) in December 2007 and granted Millicom Lao an International VoIP license within the existing license ending 2022, which will allow the development of an IDD business. In Sri Lanka, our existing license which expires in September 2008 was renewed for a period of 10 years to September 2018.

Outlook for 2008

The outlook for Millicom's Asian operations for 2008 is promising as penetration rates are still low. All three operations will continue to invest aggressively to drive penetration and growth. With several new entrants to the market expected to launch services in 2008, the emphasis will be on maintaining and improving market share. We hope to do this by continuing to lead in terms of affordability and accessibility and also to augment revenue streams by new Value-Added Services and growing their share of revenue in each market. Progress will also continue to be made in terms of data, with the development of improved 3G services in Cambodia and WiMAX expected to be launched 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 deployment 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 sales and marketing costs being maintained at around 20% of revenues on average. We are confident that our Asian businesses will account for a larger proportion of Group revenues in the future.

Board of Directors

1. Daniel Johannesson
2. Mia Brunell Livfors
3. Donna Cordner
4. Kent Atkinson
5. Michel Massart
6. Cristina Stenbeck

1. Daniel Johannesson (born 1943)

Non-Executive Chairman, Chairman of the Compensation and Nomination Committees

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 companies including senior executive at the construction company Skanska, where he was responsible for their telecommunications and facilities management interests and Chief Executive Officer of Investment AB Kinnevik and Director General of Swedish national railway operator, SJ. He is also Vice Chairman of Unibet Group PLC.

2. Mia Brunell Livfors (born 1965)

Non-Executive Director, Member of the Compensation Committee

Mia Brunell Livfors was elected to the Board of Millicom in May 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 a member of the Board of Directors of Korsnäs AB, Mellersta Sveriges Lantbruks AB, Metro International S.A., Tele2 AB, Transcom WorldWide S.A., Modern Times Group MTG AB and CTC Media, Inc – a Russian associated company of MTG.

3. Donna Cordner (born 1956)

Non-Executive Director

Donna Cordner was elected to the Board of Millicom in May 2004. She was formerly a Managing Director and Global Head of Telecommunications and Media Structured Finance Group at Citigroup. She has also held senior management positions at Société Générale and ABN Amro Bank N.V. in the US and Europe, including as Director of ABN’s Latin American Telecommunications Project Finance and Advisory Group. Until July 2005 Ms Cordner was the CEO of HOFKAM Limited, which is the largest rural microfinance company in Uganda and she continues to advise HOFKAM as a consultant. She was named Executive Vice President of Corporate Finance and Treasury for Tele2 AB effective March 2007 and was named Market Area Director and CEO for Russia for Tele2 AB in March 2008.

4. 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 joined the Bank of London and South America (later acquired by Lloyds Bank) in 1964 and held a number of senior managerial positions in the UK, Latin America and the Middle East. He returned to the UK in 1989 as Executive Director for Lloyds TSB South East Region before joining the main board as Group Finance Director in 1994, a position he held for eight years until his retirement as an executive in 2002. He remained on the Lloyds TSB board of directors for a further year as a Non-Executive Director. Currently, Kent is the Senior Independent Director and Chairman of the Audit Committee of Coca-Cola HBC S.A., and a Non-Executive Director of Gemalto N.V. He is also a Non-Executive Director and Chairman of the Audit Committee of Standard Life plc, Deputy Chairman of Standard Life Assurance Limited and a member of Standard Life’s Investment Committee.

5. Michel Massart (born 1951)

Non-Executive Director, Chairman of the Audit Committee and Member of the Nomination Committee

Michel Massart was elected 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 is a former member of the Board of the Institute of Statutory Auditors. He is a professor at Solvay Business School in Brussels, Belgium.

6. Cristina Stenbeck (born 1977)

Non-Executive Director

Cristina Stenbeck became a Director of Millicom in May 2003. She is Chairman of the Board of Directors of Investment AB Kinnevik and a Director of Metro International S.A., Modern Times Group MTG AB, Tele2 AB, Transcom WorldWide S.A., Korsnäs AB and Modern Holdings, Inc.

Senior Management

1. Marc Beuls (born 1956)
President and Chief Executive Officer

Marc Beuls was appointed President and CEO of Millicom in January 1998. He was formerly Senior Vice President Finance. Mr Beuls joined Millicom in March 1992. From 1982 to 1992, he worked for Générale de Banque of Belgium. Marc Beuls has a degree in Economics from Limburg Business School in Belgium, with specialization in Finance and Accounting.

2. Mikael Grahne (born 1953)
Chief Operating Officer

Mikael Grahne joined Millicom in February 2002 as the Chief Operating Officer, having previously been President of Seagram Latin America. Prior to joining Seagram, he was the regional president of a division of the EMEA region at PepsiCo and held various senior management positions with Procter & Gamble. Mr Grahne has an MBA from the Swedish School of Economics in Helsinki, Finland.

3. David Sach (born 1961)
Chief Financial Officer

David Sach joined Millicom in September 2005 as Chief Financial Officer, having previously been the Senior Vice President Finance for Equant. Previously, Mr Sach held senior finance positions at EMI and Thomson Corporation. Mr Sach started his career at PricewaterhouseCoopers. Mr Sach is a CPA and has a degree in Accounting from the State University of New York.

4. Mario Zanotti (born 1962)
Head of Central America

Mario Zanotti was appointed Head of Central America in 2002 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. 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.

5. Ricardo Maiztegui (born 1963)
Head of South America

Ricardo Maiztegui was appointed Head of South America in 2002 after having joined Millicom in 1998 as Managing Director of Telecel in Paraguay. Prior to joining Millicom he was Marketing Director in CTI (Verizon), and previously at Telintar (Telefonica). Mr Maiztegui has an Executive MBA from Universidad Austral in Argentina and a Master's in Physics from Universidad de Buenos Aires.

6. Steven Jurgens (born 1951)
Co-Head of Africa

Steven Jurgens joined Millicom in May 2007 as Co-Head of Africa responsible for French speaking markets. He started his career in brand and trade marketing followed by successive senior general management assignments for British American Tobacco in Asia, Africa and Europe until 2005. Previously, he was a director with privately held HvLandwyck Group in Luxemburg. He is a Supervisory Board member of AJF charitable trust, Netherlands. Mr Jurgens has a Lic. Oec. Degree in business administration from HEC-University of Lausanne.

7. Regis Romero (born 1971)
Co-Head of Africa

Regis Romero was appointed Co-Head of Africa in 2006. He has been with Millicom since 1998, previously as Commercial Manager in Bolivia, then as Chief Operating Officer in Paraguay. 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.

8. Judy Tan (born 1971)
Head of Asia

Judy Tan joined Millicom in 1998. She was appointed to her current position in 2007. Previously she held a Group-wide operations role, supporting the Chief Operating Officer. Judy Tan qualified as a Certified Public Accountant with PricewaterhouseCoopers, Singapore, and has an MBA from Imperial College, London.

9. Won-Suck Song (born 1967)
Head of Operations

Won-Suck Song was appointed to his current position in 2007; he has a Group-wide role coordinating sales and marketing activities. He started his career with the Kinnevik group in 1997, where he held the position of Chief Operating Officer of Metro International, before being transferred in June 2001 to Tele2 AB as Executive Vice President. He studied Mechanical Engineering at the Royal Institute of Technology in Stockholm, Sweden.

10. Osmar Coronel (born 1964)
Chief Technical Officer

Osmar Coronel was appointed Chief Technical Officer of Millicom in 2006. He was previously the Chief Technical Manager of Millicom's operations in Paraguay, before moving to Comcel, Millicom's operation in Guatemala, in 2002. Prior to joining Millicom, he was a Division Manager of the Paraguay PTT. He was a former Fulbright Scholar (1992/93). Osmar Coronel has an MBA from Northwestern University's Kellogg School of Management in the US, a degree in Electrical Engineering from the National University of Asuncion, Paraguay and a Master's degree in Electrical Engineering from the Southern Illinois University in the US.

11. John Tumelty (born 1952)
Head of Human Resources

John Tumelty was appointed Head of Human Resources in 2006. He has been with Millicom since 1995, previously as Chief Financial Officer in Ghana and then as General Manager of Paktel in Pakistan and more recently Mobitel in Tanzania. Prior to joining Millicom he held various senior positions in finance with Mobil Oil Corporation in the Middle East and Africa over a 15 year period. John Tumelty has a Bachelor's degree from Strathclyde University in the UK and qualified as an English Chartered Accountant with Touche Ross in London.

12. Henri Vander Stichele (born 1966)
Head of Supply Chain Management

Henri Vander Stichele joined Millicom in November 2007. He started his career in 1993 within the Consumer Electronics division of Philips Electronics. Within Philips, he held several procurement positions in the Netherlands, France and Belgium. In 2000 he switched to the automotive industry with ArvinMeritor as the Procurement Director for the Doors division. Prior to joining Millicom, Henri was the Global Procurement Director for several procurement groups within Nokia and Nokia Siemens Networks. Henri has a Master's degree in Aerospace Engineering from the Delft University of Technology.

Corporate and social responsibility report

For Millicom, corporate and social responsibility means understanding the expectations of its stakeholders; be they customers, governments, regulators, suppliers, employees, investors, or communities, and its commitment to this responsibility enables it to deliver a consistently high level of performance and to generate, protect and enhance value for all of them.

Customers
Millicom aims to build enduring relationships by understanding and anticipating its customers' needs. Its subscribers around the world today enjoy and have come to expect an affordable, accessible and available mobile service, embodied by the Tigo brand. Millicom values the reputation that its Tigo brand has earned and the trust its customers place in it and endeavors to enhance this reputation by continually improving its products and services.

In 2007 Millicom continued to drive down prices and reload values, facilitated by its e-PIN service of over-the-air top-up and today offers the most affordable service available in many of its markets. To improve accessibility, Millicom added over 180,000 new connection and reload outlets and more are opened every day. Millicom now has over 480,000 outlets across its markets. The affordability and accessibility of services must be improved in conjunction with their availability and, throughout 2007 Millicom has focused on extending network coverage and capacity where necessary to ensure consistent reliability. By the end of the year, Millicom had a total of some 10,000 cell sites, up from just over 6,000 at the end of 2006.

Governments and regulators
Millicom strongly supports aggressive yet equal competition and its position as a leading operator of mobile telephony services gives it the leverage to encourage fair legislation and the correct application of telecommunications regulations in its 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
Millicom's intention is to only work with suppliers, subcontractors and other third parties whose working practices and business standards are aligned with its own in the countries in which it operates. Millicom is carrying out a planned review of it supplier relationships and in Q4 2008 will issue an updated set of guidelines in a new Supplier Code of Conduct, outlining how it works with suppliers and what standards are expected of them and their subcontractors.

Society and environment
Millicom contributes to the sustainable economic and social development of the emerging markets in which it operates by providing telecommunications infrastructure and the means to communicate. Across 16 countries, Millicom's employees are focused every day on providing mobile telephony services that are highly affordable, readily accessible and constantly available to everyone.

Millicom also has a history of, and a reputation for, responsible and proactive citizenship in its markets and of giving something back to local communities. In the past, its initiatives have centered on education, housing, poverty and support in the aftermath of natural disaster. In 2007, Millicom continued with its focus on education in Latin America in a number of ways: by making a donation to a national program in El Salvador working to improve literacy rates; by sponsoring agencies in Honduras that promote academic excellence in students with scarce economic resources; by establishing the Tigo Library in Paraguay which donates text books to schools and, in Bolivia, by signing an agreement with a university to run a "Maths Olympic Games". Elsewhere in Latin America, Tigo provides material and monetary support to specific cultural initiatives and projects, for example in Colombia, Tigo sponsors Swing Latino, the world Salsa champions, from Cali.

In Africa, the focus has been primarily on healthcare. Initiatives in 2007 included sponsorship of an AIDS awareness concert in Ghana, the donation of water pumps and water treatment systems in Tanzania, the donation of wheelchairs for children in Chad and the creation of the "Tigo Foundation" in Senegal whose first campaign focused on health education for the young. In Cambodia in our Asian cluster, the MobiTel Foundation similarly supports educational and healthcare projects, the most notable of which is Operation Smile to support cleft palate surgery for children.

Going forward the Board has approved significant expenditure on community initiatives which will be approved and evaluated by a central coordinating function and governed by strict operating guidelines. 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, under the theme "Access to Today's World through Education". By 2010, 80% of Millicom's expenditure on community initiatives will fall under this theme.

Employees
Millicom seeks diversity among its 6,000 employees to foster creativity and corporate success. Recognizing that exceptional quality begins with people, Millicom allows individuals to use their capabilities to the fullest to satisfy their customers in accordance with the Millicom Corporate Policy Manual, which sets out the code of conduct for all employees. Millicom's corporate environment promotes and encourages continuous learning and personal growth as well as active participation in local community initiatives which fosters the Tigo team spirit and ensures that everyone can contribute to the continued success of the Company.

Shareholders
Millicom aims to generate shareholder value by seizing opportunities in the mobile telephony sector in emerging markets, building on its current business and focusing on high growth segments whilst achieving the highest standards of integrity, customer satisfaction and employee motivation. In 2007, Millicom's share price rose by 91%. Millicom adheres to the standards and requirements for foreign private issuers of the US Sarbanes-Oxley Act of 2002, also known as the Public Company Accounting Reform and Investor Protection Act of 2002, which legislates for corporate governance, financial disclosure and the practice of public accounting in the interest of equity investors.

Millicom's corporate and social responsibility initiatives are continually evolving and developing but are governed by values set out in the Corporate Policy Manual and Code of Ethics to which all employees must adhere. Going forward, Millicom will also be drafting Corporate Position Papers on key issues affecting its business and the wider industry. Millicom's governing values will continue to be communicated to employees via induction processes and group briefings, and, by observing them every day, Millicom endeavors to provide outstanding services to its customers, to earn leadership positions in its business and to provide a superior return to its shareholders.

Directors' 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. 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 operations in El Salvador, Guatemala and Honduras in Central America; in Bolivia, Colombia and Paraguay in South America; in Chad, The Democratic Republic of the Congo, Ghana, Mauritius, Senegal, Sierra Leone and Tanzania in Africa; and in Cambodia, Laos and Sri Lanka in Asia.

Results
The Group continued to experience strong growth in 2007 with the worldwide total subscriber base increasing by 56% to 23.4 million compared to 14.9 million in 2006. Particularly significant percentage increases by operating company were recorded in The Democratic Republic of the Congo (986%), Sierra Leone (147%), Honduras (88%), Chad (73%) and Ghana (67%). This subscriber growth was driven by substantially higher capital expenditure in 2007 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 67% to $2,631 million compared to $1,576 million in 2006. Revenue growth was seen throughout our regional clusters and especially in South America where revenues increased by 152%, and even when excluding the Colombian operation the cluster showed an impressive 57% top line growth. Revenues in Central America increased by 44% for the year ended December 31, 2007. The increase in revenues for the year ended December 31, 2007 was 53% in Africa and 33% in Asia. Implementing our business model of providing affordable, accessible and available telephony across all operations has been the key to driving revenue growth which has in turn been reflected in operating profit growth.

Total operating profit for the year ended December 31, 2007 increased by 50% to $663 million from $441 million for the year ended December 31, 2006 due to the higher revenues. Profit from continuing operations increased to $452 million for the year ended December 31, 2007 from $236 million for the year ended December 31, 2006, an increase of 92%. The profit from discontinued operations for the year ended December 31, 2007 was $259 million compared to a loss from discontinued operations for the year ended December 31, 2006 of $76 million. The net profit attributable to equity holders of the Company for 2007 was $697 million versus $169 million in 2006.

In 2007, we had capital expenditures of $1,036 million, a significant increase over the $616 million from continuing operations in 2006. It is this increased investment which will help sustain high growth in the near future. This capital expenditure was mainly funded from cash flows provided by operating activities, which totalled $851 million from continuing operations in 2007 compared to $516 million in 2006. These strengthening operating cash flows will fund significant future investment.

Due to the strength of the balance sheet and the net cash proceeds from the sale of our business in Pakistan, the Board has recommended a special dividend of $2.40 a share be paid following the Annual General Meeting in May of 2008. The Group has not yet adopted a formal dividend policy. Any future dividends will be based on the free cash flows of the Group going forward.

Financial position
Property, plant and equipment increased to $2.1 billion as at December 31, 2007 from $1.3 billion as at December 31, 2006 due to the increased capital expenditure across the Group. Cash and cash equivalents increased to $1.2 billion compared to $657 million at the end of 2006 reflecting the strong operating cash flows of the Group. Borrowings increased to $1.8 billion as at December 31, 2007 from $1.5 billion as at December 31, 2006, mainly as a result of additional operating company debt to finance capital expenditures.

As at December 31, 2007, the Group had total equity of $1.4 billion compared to equity of $582 million as at December 31, 2006. This movement is mainly attributable to the net profit of $697 million in 2007.

The Board of Directors
The Company's Directors are as follows:

Name	Position	Independent	Year appointed	Expiration of term
Mia Brunell Livfors	Member	No	2007	May 2008
Donna Cordner*	Member	No	2004	May 2008
Kent Atkinson	Member	Yes	2007	May 2008
Daniel Johannesson	Chairman	Yes	2003	May 2008
Michel Massart	Member	Yes	2003	May 2008
Cristina Stenbeck	Member	No	2003	May 2008

* Donna Cordner changed from an independent to a non-independent Director in January 2007.

At the 2007 Annual General Meeting (AGM) of shareholders, Mr Vigo Carlund, Mr Ernest Cravatte and Mr Lars-Johan Jarnheimer did not stand for re-election after years of service and ceased to be members of the Board. Their contributions will be missed and we wish them well in their future endeavours.

The Board met five times in person and held an additional six meetings by teleconference during 2007.

The Board has developed and continuously evaluates its work procedures in line with the corporate governance rules of NASDAQ in the US 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 US Sarbanes-Oxley Act of 2002 to the extent it applies to foreign private issuers.

Directors' report continued

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 Nominations Committee.

Audit Committee

The Audit Committee convenes at least four times a year, and is currently comprised of two Directors: Mr Michel Massart (Chairman and financial expert) and Mr Kent Atkinson. A third Director will be appointed following the AGM in May 2008. 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 and quarterly financial reports and accounts remains with the Board. The Audit Committee met eight times during 2007 and our 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 six times during 2007.

Nominations Committee

The Nominations Committee is currently comprised of Mr Daniel Johannesson (Chairman) and Mr Michel Massart. A third member will be nominated following the AGM in May 2008. 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 restricted shares to Directors, which are presented to the Board and approved by the shareholders at the AGM. The Nominations Committee met once during 2007.

Corporate Policy Manual

The Board has adopted the 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 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.

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, 2007. 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, 2007.

PricewaterhouseCoopers S.à.r.l. has issued an unqualified report on our 2007 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 31, 2008

By:

Marc Beuls
Chief Executive Officer

By:

David Sach
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. and its subsidiaries at December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 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, Millicom International Cellular S.A. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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". Our responsibility is to express opinions on these financial statements and on the internal control over financial reporting of Millicom International Cellular S.A. and its subsidiaries based on our audit (which were integrated audits in 2007 and 2006). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

PricewaterhouseCoopers S.à.r.l.
Réviseur d'entreprises
Luxembourg, March 31, 2008

Pascal Rakovsky

Consolidated statements of profit and loss

For the years ended December 31, 2007, 2006 and 2005

	Notes	2007 US$'000	2006 US$'000	2005 US$'000
Revenues	9	2,630,614	1,576,100	922,780
Cost of sales		(980,056)	(616,739)	(373,427)
Gross profit		**1,650,558**	**959,361**	**549,353**
Sales and marketing		(489,327)	(246,591)	(124,187)
General and administrative expenses		(425,356)	(246,004)	(143,341)
Other operating expenses		(72,949)	(37,613)	(23,137)
Other operating income		–	4,036	15,412
Gain from sale of subsidiaries and joint ventures, net	5	–	8,099	1,269
Operating profit	9, 10	**662,926**	**441,288**	**275,369**
Interest expense		(194,440)	(123,969)	(116,031)
Interest and other financial income		56,384	36,385	23,373
Other non-operating income (expenses), net	12	10,172	(1,186)	(12,807)
Profit from associates	17	4,400	1,483	1,296
Profit before tax from continuing operations		**539,442**	**354,001**	**171,200**
Charge for taxes	13	(87,077)	(118,205)	(68,795)
Profit for the year from continuing operations		**452,365**	**235,796**	**102,405**
Profit/(loss) for the year from discontinued operations, net of tax	6	258,619	(75,813)	(98,260)
Net profit for the year		**710,984**	**159,983**	**4,145**
Attributable to:				
Equity holders of the Company		697,142	168,947	10,277
Minority interest		13,842	(8,964)	(6,132)
		710,984	159,983	4,145
Earnings per share for the year	14			
(expressed in US dollars per common share)				
Basic				
– profit from continuing operations attributable to equity holders		4.35	2.43	0.98
– profit (loss) from discontinued operations attributable to equity holders		2.55	(0.75)	(0.88)
– profit for the year attributable to equity holders		6.90	1.68	0.10
Diluted				
– profit from continuing operations attributable to equity holders		4.22	2.41	0.96
– profit (loss) from discontinued operations attributable to equity holders		2.39	(0.74)	(0.86)
– profit for the year attributable to equity holders		6.61	1.67	0.10

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

Consolidated balance sheets

As of December 31, 2007 and 2006

	Notes	2007 US$'000	2006 US$'000
Assets			
Non-current assets			
Intangible assets, net	15	**467,502**	482,775
Property, plant and equipment, net	16	**2,066,122**	1,267,159
Investments in associates	17	**11,234**	6,838
Deferred taxation	13	**97,544**	3,706
Other non-current assets (i)		**19,855**	26,225
Total non-current assets		**2,662,257**	1,786,703
Current assets			
Inventories		**82,893**	54,245
Trade receivables, net	18	**223,579**	185,455
Amounts due from joint venture partners		**65,348**	37,346
Amounts due from other related parties	29	**–**	1,221
Prepayments and accrued income		**71,175**	58,429
Current tax assets		**8,982**	4,916
Supplier advances for capital expenditure (ii)		**76,514**	55,080
Other current assets (i), (ii)	19	**48,481**	73,834
Cash and cash equivalents	20	**1,174,597**	656,692
Total current assets		**1,751,569**	1,127,218
Assets held for sale	6	**–**	407,073
Total assets		**4,413,826**	3,320,994

(i) Non-current and current pledged deposits have been presented together with "Other non-current assets" and "Other current assets" to simplify the presentation of the consolidated balance sheet.

(ii) Supplier advances for capital expenditure have been presented separately from "Other current assets" to improve the presentation of the consolidated balance sheet.

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

	Notes	2007 US$'000	2006 US$'000
Equity and liabilities			
Equity			
Share capital and premium	21	**417,352**	372,526
Other reserves	23	**45,557**	2,966
Retained profits/(accumulated losses)		**127,856**	(39,565)
Profit for the year attributable to equity holders		**697,142**	168,947
		1,287,907	504,874
Minority interest		**80,429**	77,514
Total equity		**1,368,336**	582,388
Liabilities			
Non-current liabilities			
Debt and other financing			
10% Senior Notes	24	**–**	538,673
4% Convertible Notes – debt component	24	**–**	171,169
Other debt and financing	24	**945,206**	649,153
Provisions and other non-current liabilities	25	**55,601**	49,353
Deferred taxation	13	**42,414**	34,368
Total non-current liabilities		**1,043,221**	1,442,716
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	**230,319**	134,661
Payables and accruals for the purchase of property, plant and equipment (i)		**460,533**	276,850
Other trade payables (i)		**238,252**	151,454
Amounts due to joint venture partners		**60,914**	32,017
Amounts due to other related parties	29	**1,475**	5,184
Accrued interest and other expenses		**128,426**	113,316
Current tax liabilities		**82,028**	89,077
Provisions and other current liabilities	25	**141,556**	99,292
Total current liabilities		**2,002,269**	901,851
Liabilities directly associated with assets held for sale	6	**–**	394,039
Total liabilities		**3,045,490**	2,738,606
Total equity and liabilities		**4,413,826**	3,320,994

(i) Payables and accruals for the purchase of property, plant and equipment have been presented separately from "Trade payables" to improve the presentation of the consolidated balance sheet.

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

Consolidated statements of cash flows

For the years ended December 31, 2007, 2006 and 2005

	Notes	2007 US$'000	2006 (i) US$'000	2005 (i) US$'000
Cash flows from operating activities				
Profit before taxes from continuing operations		**539,442**	354,001	171,200
Adjustments				
Interest expense		**194,440**	123,969	116,031
Interest income		**(56,384)**	(36,385)	(23,373)
Other non-operating (income) expenses, net	12	**(10,172)**	1,186	12,807
Profit from associates	17	**(4,400)**	(1,483)	(1,296)
Operating profit		**662,926**	441,288	275,369
Adjustments for non-cash items:				
Depreciation and amortisation	10, 15, 16	**354,940**	229,241	141,286
Loss on disposal and impairment of property, plant and equipment	10	**3,815**	4,455	2,494
Reduction of goodwill	10, 15	**23,358**	–	–
Gain from sale of subsidiaries and joint ventures	5, 10	**–**	(8,099)	(1,269)
Share-based compensation	22	**19,228**	12,850	3,075
Other non-cash items		**1,000**	–	(6,299)
		1,065,267	679,735	414,656
Increase in trade receivables, prepayments and other current assets		**(24,640)**	(31,117)	(858)
Increase in inventories		**(25,357)**	(22,360)	(69)
Increase in trade and other payables		**95,927**	69,903	47,465
Changes to working capital		**45,930**	16,426	46,538
Interest expense paid		**(151,604)**	(109,119)	(98,903)
Interest received		**55,836**	29,077	25,013
Taxes paid		**(164,896)**	(100,599)	(68,116)
Net cash provided by operating activities		**850,533**	515,520	319,188
Cash flows from investing activities				
Acquisition of subsidiaries and JV, net of cash acquired	4	**–**	(34,768)	(72,250)
Proceeds from disposal of subsidiaries and JV, net of cash disposed	5	**–**	(958)	1,899
Purchase of intangible assets and license renewals	15	**(25,816)**	(40,490)	(8,183)
Purchase of property, plant and equipment	16	**(861,327)**	(462,684)	(196,470)
Proceeds from sale of property, plant and equipment		**3,853**	–	5,226
Cash provided (used) by other investing activities		**36,777**	12,327	(10,918)
Net cash used by investing activities		**(846,513)**	(526,573)	(280,696)
Cash flows from financing activities:				
Proceeds from issuance of shares		**33,626**	14,227	3,553
Proceeds from issuance of debt and other financing		**545,528**	318,308	300,040
Repayment of debt and financing		**(315,955)**	(191,430)	(95,355)
Payment of dividends to minority interests		**(18,286)**	(4,873)	(2,000)
Net cash provided by financing activities		**244,913**	136,232	206,238
Transfer of cash to assets held for sale		**–**	(7,135)	(3,013)
Cash provided (used) by discontinued operations	6	**260,904**	(60,488)	(56,812)
Exchange gains (losses) on cash and cash equivalents		**8,068**	2,569	(1,719)
Net increase in cash and cash equivalents		**517,905**	60,125	183,186
Cash and cash equivalents at the beginning of the year		**656,692**	596,567	413,381
Cash and cash equivalents at the end of the year		**1,174,597**	656,692	596,567

(i) Comparative information restated to improve the presentation of the consolidated statements of cash flows.

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

Consolidated statements of changes in equity

For the years ended December 31, 2007, 2006 and 2005

	Number of shares '000	Number of shares held by the Group '000	Share capital (i) US$'000	Share premium (i) US$'000	Treasury shares US$'000	Retained profits (accumulated losses) (ii) US$'000	Other reserves (iii) US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
	Attributable to equity holders									
Balance as of January 1, 2005	**99,219**	**(655)**	**148,828**	**364,954**	**(8,833)**	**(212,621)**	**(55,242)**	**237,086**	**43,351**	**280,437**
Negative goodwill derecognized	–	–	–	–	–	8,202	–	8,202	–	8,202
Profit for the year	–	–	–	–	–	10,277	–	10,277	(6,132)	4,145
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	(2,000)	(2,000)
Shares issued via the exercise of share options	485	–	727	3,288	–	–	(462)	3,553	–	3,553
Share-based compensation (iv)	–	–	–	–	–	–	3,075	3,075	–	3,075
4% Convertible Notes – equity component (v)	–	–	–	–	–	–	39,109	39,109	–	39,109
Transfer to accumulated losses	–	–	–	(52,640)	–	52,640	–	–	–	–
Fair value adjustment on financial assets	–	–	–	–	–	–	3,308	3,308	–	3,308
Currency translation differences	–	–	–	–	–	–	(5,005)	(5,005)	(1,040)	(6,045)
Balance as of December 31, 2005	**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**

Consolidated statements of changes in equity continued

For the years ended December 31, 2007, 2006 and 2005

	Number of shares '000	Number of shares held by the Group '000	Share capital (i) US$'000	Share premium (i) US$'000	Treasury shares US$'000	Retained profits/ (accumulated losses) (ii) US$'000	Other reserves (iii) US$'000	Total US$'000	Minority interest US$'000	Total equity US$'000
	Attributable to equity holders									
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**

(i) See note 21.

(ii) Includes profit for the year attributable 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 plan (see note 22).

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

Notes to the consolidated financial statements

As of December 31, 2007, 2006 and 2005

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 operator of mobile telephone services in the world’s emerging markets. 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, 2007, Millicom had 16 mobile operations in 16 countries focusing on emerging markets in Central America, South America, Africa and Asia. The Group sold its Pakistani operation in February 2007. 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. Millicom delisted from the Luxembourg Stock Exchange on January 16, 2006. 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.

Millicom operates in El Salvador, Guatemala and Honduras in Central America; in Bolivia, Colombia and Paraguay in South America; in Chad, The Democratic Republic of the Congo, Ghana, Mauritius, Senegal, Sierra Leone and Tanzania in Africa; and in Cambodia, Laos and Sri Lanka in Asia.

The Board of Directors approved these consolidated financial statements on March 31, 2008. The consolidated financial statements will be ratified by the Annual General Meeting.

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

In accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, the consolidated financial statements for the year ended December 31, 2007 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

As of December 31, 2007, International Financial Reporting Standards as adopted by the European Union are similar to those published by the International Accounting Standards Board (“IASB”), except for IAS 39 – Financial Instruments that has been partially adopted by the European Union and for new standards and interpretations 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 December 31 each year. The financial statements of the subsidiaries and joint ventures are prepared for the same reporting year as the Company, using consistent accounting policies.

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

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 recognized 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.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

2. Summary of consolidation and accounting policies continued

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

Associates

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

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

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

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

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 US dollar (the "presentation currency"). The functional currency of the Company is the US dollar because of the significant influence of the US dollar on its operations.

Transactions and balances

Transactions denominated in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the consolidated 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 recognized 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 recognized as a separate component of equity "Currency translation reserve", in the caption "Other reserves".

On consolidation, exchange differences arising from the translation of net investments in foreign operations, and of borrowing and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the consolidated 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.

2. Summary of consolidation and accounting policies continued

The following is a table of the principal currency translation rates to the US dollar as of December 31, 2007 and 2006 and the average rates for the year ended December 31, 2007.

Country	Currency	2007 Average rate	2007 Year end rate	2006 Year end rate
Bolivia	Boliviano	**7.84**	**7.64**	7.99
Chad	CFA Franc	**478.14**	**448.66**	497.45
Colombia	Peso	**2,084.69**	**2,017.23**	2,240.00
Ghana	Cedi	**0.94**	**0.97**	0.92
Guatemala	Quetzal	**7.70**	**7.66**	7.62
Honduras	Lempira	**18.90**	**18.90**	18.90
Laos	Kip	**9,712.08**	**9,459.00**	9,855.00
Luxembourg	Euro	**0.73**	**0.69**	0.76
Mauritius	Rupee	**31.32**	**28.48**	32.82
Paraguay	Guarani	**5,041.95**	**4,750.01**	5,170.00
Senegal	CFA Franc	**478.14**	**448.66**	497.45
Sierra Leone	Leone	**2,984.21**	**2,977.59**	2,973.94
Sri Lanka	Rupee	**110.39**	**108.65**	107.42
Sweden	Krona	**6.73**	**6.47**	6.84
Tanzania	Shilling	**1,237.51**	**1,153.99**	1,264.22

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 10 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated 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 recognized when a present obligation for the removal is established. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset.

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

2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits 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 recognized in the consolidated statements of profit and loss in the expense category consistent with the function of the intangible assets.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

2. Summary of consolidation and accounting policies continued

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 12 months of the acquisition date, Millicom then recognizes any adjustments to these provisional values once the fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the acquisition have been finally determined. Adjustments to the provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries and joint ventures is included in "Intangible assets, net". Goodwill on acquisition of associates is included in "Investments in associates". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

Licenses are shown at historical cost unless acquired in a business combination where the cost is the fair value as at the date of acquisition. Licenses have a finite useful life and are carried at cost less accumulated amortisation 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 recognized as intangible assets only when acquired in business combinations or ownership increase transactions in joint ventures. Their cost corresponds to the fair value as at the date of acquisition. Trademarks and 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 fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to sell is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions of the time value of money and the risk specific to the asset. In addition to the evaluation of possible impairment to the assets carrying value, the foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. Other than for goodwill, a previously recognized impairment loss is reversed if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.8 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 recognized 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.

2. Summary of consolidation and accounting policies continued

All regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Investments are derecognized 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 recognized in income when the loans and receivables are derecognized 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 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 realized 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 recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortised cost, gains and losses are recognized in income when the investments are derecognized 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 recognized as a separate component of equity until the investment is derecognized 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 organized 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 equipment 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 recognized 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 recognized in the consolidated statements of profit and loss within "Cost of sales". The nominal value less impairment of trade receivables is assumed to approximate their fair values.

2.12 Time deposits

Cash deposits with banks with maturities of more than three 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 unrealized 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 recognized in the consolidated statements of profit and loss on equity instruments are not reversed through the consolidated statements of profit and loss.

Notes to the consolidated financial statements continued
As of December 31, 2007, 2006 and 2005

2. Summary of consolidation and accounting policies continued

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

Where any Group Company purchases the Company's equity share capital, the consideration paid including any directly attributable incremental costs is shown under the caption "Treasury share" 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 recognized 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 recognized 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 recognized and included in equity, net of income tax effects.

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

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

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

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

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

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

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

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

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

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

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

Subscription products and services are deferred and 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 recognized as credit is used. Unutilized airtime is carried in the balance sheet and is included under deferred revenue within "other current liabilities".

2. Summary of consolidation and accounting policies continued

Value-Added Services

Revenues from Value-Added Services such as text messaging, video messaging, ringtones, games etc., are recognized net of payments to the providers of these services when they 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 recognized 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 recognized 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 recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

Share-based compensation

Up until May 2006, share options were granted to Directors, management and key employees. The fair value of the equity instruments granted in exchange for the services received is recognized as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimate of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the consolidated 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 recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market conditions are satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.25 Taxation

Current tax

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

Deferred tax

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

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

2. Summary of consolidation and accounting policies continued

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

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

Deferred income tax assets and liabilities are measured at the tax rate expected to apply to the year when the assets is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated 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, 2007 are prepared in accordance with consolidation and accounting policies consistent with those of the previous financial years.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 – Financial Instruments – Disclosures
- IAS 1 – Amendment – Presentation of Financial Statements
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment

The principal effects of these changes are as follows.

- IFRS 7 – Financial Instruments – Disclosures. This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the consolidated financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.
- IAS 1 – Presentation of Financial Statements. This amendment requires the Group to make new disclosures to enable users of the consolidated financial statements to evaluate the Group's objectives, policies and processes for managing capital.
- IFRIC 8 – Scope of IFRS 2 Share-based payments. This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. This interpretation had no impact on the financial position or performance of the Group.
- IFRIC 9 – Reassessment of Embedded Derivatives. IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. This interpretation had no impact on the financial position or performance of the Group.
- IFRIC 10 – Interim Financial Reporting and Impairment. The Group adopted IFRIC Interpretation 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The interpretation had no impact on the financial position or performance of the Group.

The following IFRS and IFRIC interpretations were issued with an effective date for financial periods beginning on or after March 1, 2007. 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 January 1, 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 does not anticipate any significant impacts on its segmental information as the result of the future adoption of IFRS 8.
- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions. This interpretation is to be applied for annual periods beginning on or after March 1, 2007. This interpretation requires arrangements whereby an employee has rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity chooses or is required to buy the instruments from another party, or the shareholders provide the equity instruments needed. The interpretation also sets out requirements as to how subsidiaries, in their separate financial statements, should account for schemes when their employees receive equity instruments of the parent. The Group does not anticipate any significant impacts on its financial statements as the result of the future adoption.
- IFRIC 12 – Service Concession Arrangements. This interpretation is to be applied for annual periods beginning on or after January 1, 2008. The interpretation clarifies that the infrastructure for contractual arrangements arising from entities providing public services should be recognized as financial asset and/or an intangible asset. The Group does not anticipate any significant impacts on its consolidated financial statements.

2. Summary of consolidation and accounting policies continued

- IFRIC 13 – Customer Loyalty Programmes. This interpretation is to be applied for annual periods beginning on or after July 1, 2008. The interpretation requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. If the cost of fulfilling the awards is expected to exceed the consideration received, the entity will have an onerous contract and a liability for the excess must be recognized. The Group is assessing the impact of the future adoption.
- 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.
- IAS 23R – Borrowing costs. This standard is to be applied for annual periods beginning on or after January 1, 2009. This amendment eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. As the Group current policy is to capitalize borrowing costs, the adoption of IAS 23R will not have any impact on the Group's consolidated financial 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 July 1, 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 January 1, 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group does not expect significant implications on its accounting for share-based payments as a result of these amendments.

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 therefore reviewed its estimates of future cash flows, taking into account the 5% prepayment and the acceleration of the amortisation of the unamortised costs. An additional interest expense of $31 million was recorded for the year ended December 31, 2007, which represented the increase in financial liabilities due to this change in estimate. Millicom also reclassified the 10% Senior Notes from non-current to current.

Millicom's operations in Pakistan

As of December 31, 2006, Millicom was actively engaged in selling its remaining operation in Pakistan, Paktel Limited after having sold its interest in Pakcom Limited. The sale of Paktel Limited was completed on February 13, 2007. Since Millicom was exiting this geographical area of operation, both Paktel Limited and Pakcom Limited were classified as discontinued operations. Pakcom Limited was classified as an asset held for sale in the 2005 financial statements but not as a discontinued operation since Millicom still intended to operate in Pakistan at the end of 2005 through Paktel Limited.

Contingent liabilities

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

Estimates

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

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

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

For our critical accounting estimates reference is made to the relevant individual notes to these consolidated financial statements, more specifically note 4 – Acquisition of subsidiaries, joint ventures and 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.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

4. Acquisitions of subsidiaries, joint ventures and minority interests

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 US$'000	Net cash acquired US$'000	Total 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:

	Recognized on acquisition US$'000	Carrying value US$'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 six to seven years; and licenses for $71.1 million which have useful lives of seven years.

(ii) Network equipment fair value at the date of acquisition is $29.7 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 Móvil 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 Móvil 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 Móvil S.A. was $124.1 million, including acquisition costs of $1.6 million and was financed through borrowings.

The acquired business contributed revenues of $90.2 million and net losses of $13.8 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.

4. Acquisitions of subsidiaries, joint ventures and minority interests continued

In 2007, the Group reversed $23.4 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 recognized goodwill of $3.1 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 $35.2 million the remaining 25% ownership interest in Sentel GSM, its operation in Senegal in which Millicom now has 100% ownership. Millicom recognized goodwill of $31.5 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 $1.5 million as the second installment 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 recognized goodwill of $15.9 million as a result of the acquisition of the minority interest, recorded under the caption “Intangible assets, net”.

Year ended December 31, 2005

Millicom acquired the following subsidiaries, joint ventures and minority interests during the year ended December 31, 2005:

	Net acquisition cost US$'000	Net cash acquired US$'000	Total US$'000
Oasis SPRL	(35,000)	864	(34,136)
Telefonica Celular	(20,000)	3,386	(16,614)
Millicom Sierra Leone Limited	(1,500)	–	(1,500)
Millicom (Ghana) Limited	(20,000)	–	(20,000)
Total	(76,500)	4,250	(72,250)

Oasis SPRL

On September 13, 2005, the Group acquired 100% of the voting shares of Oasis SPRL (“Oasis”), a mobile operation in The Democratic Republic of the Congo. The acquisition cost of Oasis was $35 million and was fully paid in cash.

The acquired business contributed revenues of $17.8 million (from the date of acquisition to December 31, 2005: $5.2 million) and net losses of $26.3 million (from the date of acquisition to December 31, 2005: loss of $4.9 million) to Millicom for the year ended December 31, 2006.

Millicom completed the allocation of the purchase price to the assets acquired, liabilities assumed and contingent liabilities during the year ended December 31, 2006. On finalization of the allocation of the purchase price Millicom used the discounted excess earnings method to ascertain the value to be allocated to the subscriber bases. As a result, Millicom adjusted the value allocated to subscriber bases from the provisional amount of $4 million to $ nil and therefore reversed $0.2 million of amortisation charges previously recorded in 2005.

The remaining goodwill was attributed to the profitability potential of the acquired business and the synergies expected to arise from the Group’s acquisition of Oasis.

Telefonica Celular

On May 26, 2005, Millicom acquired an additional 16.7% in the capital of its operation in Honduras, Telefonica Celular (“Celtel”), for a total consideration of $20 million, taking its ownership from 50% to 66.7%. Due to the presence of joint control, Millicom continues to account for Celtel as a joint venture using proportional consolidation. The 2005 results of Celtel have been proportionally consolidated at 50% from January 1, 2005 to May 26, 2005 and at 66.7% afterwards.

At the time of the additional acquisition, for the valuation of the identifiable assets and liabilities Millicom has involved a third party valuation specialist. In accordance with the provisions of IFRS 3, as the initial fair value computation of the identifiable assets and liabilities was in excess of the acquisition cost, Millicom reassessed the valuation. After this reassessment the remaining excess of $6.3 million was immediately recognized in the consolidated statements of profit and loss under the caption “Other operating income”.

Millicom Sierra Leone Limited

On December 16, 2005, Millicom entered into an agreement with Comtech, the minority shareholder in its operation in Sierra Leone to purchase the remaining 30% of shares in Sierra Leone not already held by Millicom for $3 million. The purchase was made in two installments. The first one, on December 16, 2005 by which the agreements were formally signed and 50% of the purchase price was paid. The second one, which occurred on February 1, 2006, when the shares were actually transferred to Millicom and the second half of the purchase price was settled. Between those dates, certain administrative matters had to be solved by the parties, the most significant one being the receipt by the National Bank of Sierra Leone of the confirmation of the sale. As the latter was received on December 22, 2005, Millicom recorded the acquisition on that date as by then both parties had effectively fulfilled their main obligations under the agreement and the remaining administrative matters were customary to the finalization of the agreement. The purchase price of $3 million is entirely recognized as goodwill as Millicom’s operation in Sierra Leone had negative equity on the acquisition date.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

4. Acquisitions of subsidiaries, joint ventures and minority interests continued

Millicom (Ghana) Limited

In December 2005, Millicom bought an option to purchase 30% of Millicom (Ghana) Limited, Millicom's operation in Ghana, from a former shareholder for an amount of $20 million. This amount is entirely recognized as goodwill as the purchase of the option represents, in substance, the acquisition of the economic benefits associated with the 30% minority interest and at the date of the purchase of the option by Millicom, Millicom Ghana Limited had negative shareholders' equity.

5. Disposals of subsidiaries and joint ventures

The gains from sales of subsidiaries and joint ventures during the years ended December 31, 2007, 2006 and 2005 were as follows:

	2007 US$'000	2006 US$'000	2005 US$'000
From continuing operations	**–**	8,099	1,269
From discontinued operations	**258,346**	738	–
Total	**258,346**	8,837	1,269

Year ended December 31, 2007

In 2007, Millicom completed the sale of Paktel Limited, for total proceeds of $284.8 million realising a net gain of $258.3 million. Millicom incurred costs of $14.2 million on the transaction and of the net proceeds of $270.6 million, Millicom received $263 million in 2007 and the remaining $7.6 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 $6.1 million was recognized 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 $6.4 million net proceeds resulting in a gain of $2.7 million. Cash disposed in the sale of those companies amounted to $2.4 million.

Year ended December 31, 2005

In 2005, Millicom completed the sale of Millicom Chile S.A., which held certain rights in Chile, for net total proceeds of $0.9 million, realizing a net gain of $0.9 million.

In 2005, Millicom disposed of or liquidated a number of other minor subsidiaries for nil net proceeds, realizing a net gain of $0.4 million.

The impact of the above-mentioned disposals and the carrying amounts at the date of disposal of the assets and liabilities disposed of during the years ended December 31, 2007 and 2006 were as follows:

	2007 US$'000	2006 US$'000
Property, plant and equipment	**–**	1,517
Financial assets – available for sale	**–**	2,977
Financial assets – other	**–**	18
Current assets	**–**	1,197
Assets held for sale	**404,442**	257,765
Non-current liabilities	**–**	(2,947)
Current liabilities	**–**	(2,483)
Liabilities directly associated with assets held for sale	**(392,158)**	(253,541)
Loans written-off	**–**	(6,939)
	12,284	(2,436)
Gain on sale	**258,346**	8,837
Total net sales price, in cash and cash equivalents	**270,630**	6,401
Less: Cash disposed	**–**	(2,397)
Deferred sales proceeds	**(7,593)**	–
Cash flow on disposal net of cash	**263,037**	4,004
From continuing operations	**–**	(958)
From discontinued operations	**263,037**	4,962

6. Discontinued operations and assets held for sale

Discontinued operations

The results of discontinued operations for the years ended December 31, 2007, 2006 and 2005 are presented below:

	2007 US$'000	2006 US$'000	2005 US$'000
Revenues	**6,130**	69,125	163,309
Operating expenses (i), (ii)	**(5,178)**	(106,793)	(235,934)
Gain from disposal	**258,346**	738	–
Operating profit (loss)	**259,298**	(36,930)	(72,625)
Non-operating expenses, net	**(679)**	(38,983)	(29,530)
Profit (loss) before tax	**258,619**	(75,913)	(102,155)
Tax benefit	**–**	100	3,895
Profit (loss) for the year attributable to equity holders	**258,619**	(75,813)	(98,260)

(i) In 2006, following the sale of Pakcom (see note 5), Millicom reversed an impairment on network equipment for an amount of $5.7 million.

(ii) In 2006, following the sale of Millicom Peru S.A. (see note 5), Millicom reversed an impairment on a license for an amount of $2.1 million.

The cash provided (used) by discontinued operations for the years ended December 31, 2007, 2006 and 2005 is presented below:

	2007 US$'000	2006 US$'000	2005 US$'000
Net cash (used) provided by operating activities	**(2,133)**	(30,925)	90,990
Net cash provided (used) by investing activities	**263,037**	(40,869)	(162,963)
Net cash provided by financing activities	**–**	11,306	15,161
Cash provided (used) by discontinued operations	**260,904**	(60,488)	(56,812)

The following table gives details of non-cash investing and financing activities of discontinued operations for the years ended December 31, 2007, 2006 and 2005:

	2007 US$'000	2006 US$'000	2005 US$'000
Investing activities			
Acquisition of property, plant and equipment	**–**	(62,177)	–
Acquisition of licenses	**–**	–	(217,885)
Financing activities			
Vendor financing	**–**	62,177	–
License payable	**–**	–	217,885

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 have been classified as discontinued operations. In addition as at December 31, 2006 the assets and liabilities of Paktel Limited are disclosed under the captions “Assets held for sale” and “Liabilities directly associated with assets held for sale”. The sale of Pakcom Limited was completed in June 2006 and the sale of Paktel Limited was completed in February 2007.

Comvik International (Vietnam) AB

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 realized and settled in 2007.

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 2006, Millicom began actively negotiating the sale of its shares in Paktel and therefore it was classified as a disposal group held for sale in the December 31, 2006 balance sheet. As of December 31, 2006, Millicom measured all assets and liabilities of Paktel at book value since the expected selling price was significantly higher. Consequently, no impairment was recognized on the assets of Paktel in 2006. In 2007, Millicom completed the sale of Paktel (see note 5). Paktel was part of the segment Asia.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

6. Discontinued operations and assets held for sale continued

The major classes of assets and liabilities classified as held for sale as at December 31, 2007 and 2006 are as follows:

	2007 US$'000	2006 US$'000
Assets		
Intangible assets, net	–	187,414
Property, plant and equipment, net	–	192,881
Other non-current assets	–	500
Trade receivables, net	–	11,148
Inventories	–	494
Other current assets	–	7,501
Cash and cash equivalents	–	7,135
Assets held for sale	–	407,073
Liabilities		
Other non-current liabilities	–	107,439
Trade payables	–	33,277
Current tax liabilities	–	3,345
Other current liabilities	–	108,072
Current debt and other financing	–	77,576
Non-current debt and other financing	–	64,330
Liabilities directly associated with assets held for sale	–	394,039
Net assets directly associated with disposal group	–	13,034

7. Subsidiaries

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

Name of the company	Country	Holding December 31, 2007 % of ownership interest	Holding December 31 2006 % 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 Móvil S.A. E.S.P. (i)	Colombia	50.0 +1 share	50.0 +1 share
Africa			
Millicom Ghana Company Limited (i)	Ghana	100.0	100.0
Sentel GSM S.A. (i)	Senegal	100.0	100.0
Millicom (S.L.) Limited (i)	Sierra Leone	100.0	100.0
MIC Tanzania Limited (i)	Tanzania	100.0	100.0
Oasis S.P.R.L. (i)	Democratic Republic of the Congo	100.0	100.0
MIC Tchad S.A.	Chad	87.5	87.5
Asia			
Millicom Lao Co. Limited	Lao People's Democratic Republic	74.1	74.1
Paktel Limited (ii)	Pakistan	–	88.9
Tigo (Pvt) Limited	Sri Lanka	99.9	99.9
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

(i) See note 4.

(ii) See notes 3, 5 and 6.

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, 2007 % of ownership interest	Holding December 31 2006 % of ownership interest
Central America			
Comunicaciones Celulares S.A.	Guatemala	**55.0**	55.0
Telefonica Celular	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, 2007 and 2006, which are included in the consolidated financial statements, are as follows:

	2007 US$'000	2006 US$'000
Current assets	**184,202**	145,271
Non-current assets	**489,301**	320,934
Total assets	**673,503**	466,205
Current liabilities	**263,876**	197,238
Non-current liabilities	**96,207**	52,777
Total liabilities	**360,083**	250,015

The share of revenues and operating expenses of the jointly controlled entities for the years ended December 31, 2007, 2006 and 2005, which are included in the consolidated financial statements, are as follows:

	2007 US$'000	2006 US$'000	2005 US$'000
Revenues	**901,564**	625,544	365,671
Total operating expenses	**(483,430)**	(365,826)	(237,439)
Operating profit	**418,134**	259,718	128,232

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

9. Segment information

The primary segment reporting format is determined to be geographic segments as the Group's risks and rates of return are affected predominantly by the fact that it operates in different countries in different geographical areas. The Group operates mainly in one reportable business segment, telecommunications services. The operating businesses are organized 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 segments

The Group operates in 16 countries within four regions: Central America, South America, Africa and Asia.

The following tables present revenues, operating profit/(loss) and other segment information for the years ended December 31, 2007, 2006 and 2005:

December 31, 2007	Central America US$'000	South America US$'000	Africa US$'000	Asia US$'000	Unallocated item US$'000	Total continuing operations US$'000	Discontinued operations (note 6) US$'000	Elimination US$'000	Total US$'000
Revenues	1,149,368	809,881	476,593	194,772	–	2,630,614	6,130	–	2,636,744
Operating profit/(loss)	526,369	106,591	57,939	41,041	(69,014)	662,926	259,298	–	922,224
Add back:									
Depreciation and amortisation	80,695	144,704	91,375	37,927	239	354,940	–	–	354,940
Loss on disposal and impairment of property, plant and equipment	1,083	1,937	251	588	(44)	3,815	–	–	3,815
Reduction of goodwill	–	23,358	–	–	–	23,358	–	–	23,358
Corporate costs	–	–	–	–	49,591	49,591	–	–	49,591
Share-based compensation	–	–	–	–	19,228	19,228	–	–	19,228
Gain on disposal of subsidiaries and joint ventures, net	–	–	–	–	–	–	(258,346)	–	(258,346)
Adjusted operating profit (i)	608,147	276,590	149,565	79,556	–	1,113,858	952	–	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	339,669	93,354	926	1,036,122	38	–	1,036,160
Intangible assets	9,366	5,216	3,323	594	943	19,442	–	–	19,442
Capital expenditure	**291,678**	**325,077**	**342,992**	**93,948**	**1,869**	**1,055,564**	**38**	**–**	**1,055,602**

December 31, 2006	Central America US$'000	South America US$'000	Africa US$'000	Asia US$'000	Unallocated item US$'000	Total continuing operations US$'000	Discontinued operations (note 6) US$'000	Elimination US$'000	Total US$'000
Revenues	796,111	321,038	312,105	146,846	–	1,576,100	69,125	–	1,645,225
Operating profit/(loss)	334,923	49,657	63,143	36,070	(42,505)	441,288	(36,930)	–	404,358
Add back:									
Depreciation and amortisation	79,242	68,335	56,763	24,701	200	229,241	28,516	–	257,757
Loss on disposal and impairment of property, plant and equipment	1,265	26	2,666	357	141	4,455	(7,850)	–	(3,395)
Corporate costs	–	–	–	–	37,413	37,413	–	–	37,413
Share-based compensation	–	–	–	–	12,850	12,850	–	–	12,850
Gain on disposal of subsidiaries and joint ventures, net	–	–	–	–	(8,099)	(8,099)	–	–	(8,099)
Other items	–	–	–	–	–	–	3,340	–	3,340
Adjusted operating profit (i)	415,430	118,018	122,572	61,128	–	717,148	(12,924)	–	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	263,579	104,596	68	616,507	107,901	–	724,408
Intangible assets	25,880	2,154	251	5,488	–	33,773	–	–	33,773
Capital expenditure	**202,649**	**73,649**	**263,830**	**110,084**	**68**	**650,280**	**107,901**	**–**	**758,181**

9. Segment information continued

December 31, 2005	Central America US$'000	South America US$'000	Africa US$'000	Asia US$'000	Unallocated item US$'000	Total continuing operations US$'000	Discontinued operations (note 6) US$'000	Elimination US$'000	Total US$'000
Revenues	452,600	141,655	204,397	124,128	–	922,780	163,309	–	1,086,089
Operating profit/(loss)	177,012	29,555	55,440	33,418	(20,056)	275,369	(72,625)	–	202,744
Add back:									
Depreciation and amortisation	61,420	26,961	32,340	20,422	143	141,286	77,070	–	218,356
Loss on disposal and impairment of property, plant and equipment	875	137	387	127	968	2,494	52,155	–	54,649
Corporate costs	–	–	–	–	22,994	22,994	–	–	22,994
Share-based compensation	–	–	–	–	3,075	3,075	–	–	3,075
Gain on disposal of subsidiaries and joint ventures, net	–	–	–	–	(1,269)	(1,269)	–	–	(1,269)
Other items	–	–	–	–	(5,855)	(5,855)	1,385	–	(4,470)
Adjusted operating profit (i)	239,307	56,653	88,167	53,967	–	438,094	57,985	–	496,079
Total assets	430,747	158,393	373,737	146,909	862,330	1,972,116	637,103	(49,563)	2,559,656
Total liabilities	138,018	96,896	306,210	101,472	1,177,754	1,820,350	664,999	(259,477)	2,225,872
Additions to:									
Property, plant and equipment	78,503	30,048	110,285	39,188	36	258,060	91,685	–	349,745
Intangible assets	3,579	450	2,992	378	784	8,183	218,012	–	226,195
Capital expenditure	**82,082**	**30,498**	**113,277**	**39,566**	**820**	**266,243**	**309,697**	**–**	**575,940**

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

10. Analysis of operating profit

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

	2007 US$'000	2006 US$'000	2005 US$'000
Revenues	**2,630,614**	1,576,100	922,780
Cost of rendering telecommunication services	**(689,634)**	(433,878)	(263,807)
Depreciation and amortisation (notes 9,15 and 16)	**(354,940)**	(229,241)	(141,286)
Dealer commissions	**(214,959)**	(120,327)	(58,870)
Advertising and promotion	**(113,010)**	(46,275)	(25,264)
Phone subsidies	**(112,777)**	(56,695)	(26,325)
Employee related costs (note 11)	**(169,589)**	(97,005)	(51,810)
Operating lease expense (note 28)	**(47,681)**	(23,517)	(15,012)
External services	**(52,143)**	(32,329)	(17,064)
Network maintenance	**(47,553)**	(24,607)	(16,653)
Utilities	**(46,193)**	(25,521)	(14,634)
Reduction of goodwill (notes 9 and 15)	**(23,358)**	–	–
Loss on disposal of assets (note 9)	**(2,064)**	(1,503)	(2,494)
Impairment of assets (notes 9 and 16)	**(1,751)**	(2,952)	–
Other operating income	**–**	4,036	15,412
Gain from sale of subsiariaries and joint ventures, net	**–**	8,099	1,269
Other expenses	**(92,036)**	(53,097)	(30,873)
Operating profit	**662,926**	441,288	275,369

11. Employee related costs

Employee related costs are comprised of the following:

	2007 US$'000	2006 US$'000	2005 US$'000
Wages and salaries	**(118,792)**	(65,179)	(39,691)
Social security	**(13,578)**	(6,497)	(3,006)
Share-based compensation (see note 22)	**(19,228)**	(12,850)	(3,075)
Other employee related costs (i)	**(17,991)**	(12,479)	(6,038)
Total	**(169,589)**	(97,005)	(51,810)

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

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

11. Employee related costs continued

The average number of permanent employees during the years ended December 31, 2007, 2006 and 2005 was as follows:

	2007	2006	2005
Continuing operations	**4,768**	3,243	2,386
Discontinued operations	**–**	450	552
Total average number of permanent employees	**4,768**	3,693	2,938

12. Other non-operating income (expenses), net

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

	2007 US$'000	2006 US$'000	2005 US$'000
Valuation movement on financial assets:			
Tele2 AB – "B" shares	**–**	(36,386)	(63,356)
Embedded derivative on the 5% Mandatory Exchangeable Notes	**–**	66,095	(5,978)
Other financial derivatives	**–**	(785)	681
Exchange gain/(loss) on the 5% Mandatory Exchangeable Notes	**–**	(35,616)	60,591
Loss on repurchase of the 10% Senior Notes (see note 24)	**(4,961)**	–	–
Other exchange gains/(losses)	**15,133**	5,506	(4,745)
Other non-operating income (expenses), net	**10,172**	(1,186)	(12,807)

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 2007, 2006 or 2005.

The effective tax rate on continuing operations is approximately 16% (2006: 33%, 2005: 40%). Currently Millicom operations are in jurisdictions with income tax rates of 10% to 40% (2006: 10% to 40%, 2005: 15% to 35%).

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

	2007 %	2006 %	2005 %
Weighted average statutory tax rate (i)	**23**	24	27
Taxes based on revenue	**(10)**	(5)	(3)
Recognition of previously unrecorded tax losses	**(11)**	(1)	(1)
Unrecognized current year tax losses (ii)	**10**	11	13
Withholding taxes on transfers between operating and non-operating entities	**4**	4	4
Effective tax rate (iii)	**16**	33	40

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

(ii) Unrecognized current year tax losses mainly consist of tax losses at the Company level and tax losses recorded in the Group's operations in The Democratic Republic of the Congo and Sierra Leone (2006: Colombia, The Democratic Republic of the Congo and Sierra Leone, 2005: Chad, The Democratic Republic of the Congo and Sierra Leone).

(iii) The variation in the effective tax rate is mainly due to the recognition of deferred tax assets for tax loss carry forwards in Colombia (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 is expected to be profitable in the foreseeable future. Accordingly, an amount of $85.8 million was recorded in deferred tax assets corresponding to $39 million related to tax losses after the acquisition and $46.8 million related to tax losses prior to the acquisition. Management has estimated that these tax losses will 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 $23.4 million in 2007 recorded under the caption "Other operating expenses".

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

	2007 US$'000	2006 US$'000	2005 US$'000
Current income tax charge	**(172,869)**	(117,128)	(65,235)
Net deferred income tax benefit/(charge)	**85,792**	(1,077)	(3,560)
Charge for taxes	**(87,077)**	(118,205)	(68,795)

13. Taxes continued

The tax effects of significant items comprising the Group's net deferred income tax asset and liability as of December 31, 2007 and 2006 are as follows:

	Consolidated balance sheet 2007 US$'000	Consolidated balance sheet 2006 US$'000	Consolidated income statement 2007 US$'000	Consolidated income statement 2006 US$'000
Deferred income tax assets:				
Loss carryforwards	**85,812**	–	**85,812**	–
Temporary differences:				
Provision for doubtful debtors	**1,117**	1,002	**115**	(63)
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	**3,621**	962	**2,659**	518
Temporary differences between book and tax basis of other assets and liabilties	**6,994**	1,742	**5,252**	1,168
	97,544	3,706		
Deferred income tax liabilities:				
Temporary differences between book and tax basis of fixed assets	**(42,825)**	(36,160)	**(6,665)**	(4,327)
Provision for doubtful debtors	**1,008**	1,525	**(517)**	1,339
Other temporary differences	**(597)**	267	**(864)**	288
	(42,414)	(34,368)		
Deferred income tax benefit/(expense)			**85,792**	(1,077)

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 has been recognized in respect of $1,095 million (2006: $753.1 million) of unremitted earnings of subsidiaries, joint ventures and associates because the Group is in a position to control the timing of the reversal of the temporary difference and it is unlikely that such differences will reverse in the foreseeable future. Furthermore, it is not practicable to estimate the amount of unrecognized deferred tax liabilities in respect of these unremitted earnings.

Unrecognized net operating losses and other tax loss carryforwards relating to the subsidiaries of Millicom, amounted to $153.8 million as at December 31, 2007 (2006: $317.7 million, 2005: $97.1 million) with expiry periods of between one and seven years except for $34 million where the losses do not expire. In addition the Company has unrecognized net operating losses of $1,940 million (2006: $1,564 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 shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit 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:

	2007 US$'000	2006 US$'000	2005 US$'000
Basic			
Net profit attributable to equity holders from continuing operations	**439,088**	244,311	96,795
Net profit/(loss) attributable to equity holders from discontinued operations	**258,054**	(75,364)	(86,518)
Net profit attributable to equity holders used to determine the basic earnings per share	**697,142**	168,947	10,277
Diluted			
Net profit attributable to equity holders from continuing operations	**439,088**	244,311	96,795
Interest expense on convertible debt (note 24)	**16,640**	–	–
Net profit attributable to equity holders from continuing operations used to determine the diluted earnings per share	**455,728**	244,311	96,795
Net profit/(loss) attributable to equity holders from discontinued operations	**258,054**	(75,364)	(86,518)
Net profit attributable to equity holders used to determine the diluted earnings per share	**713,782**	168,947	10,277

	2007 '000	2006 '000	2005 '000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**101,088**	100,361	98,803
Effect of dilution:			
Potential incremental shares as a result of share options (i)	**1,250**	1,010	1,118
Assumed conversion of convertible debt (ii)	**5,709**	–	–
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution (i)	**108,047**	101,371	99,921

(i) For the years ended December 31, 2007 and 2006, the Group included all share options in the computation of diluted earnings per share. For the year ended December 31, 2005 the Group excluded 956,136 options from the computation of diluted earnings per share as they were not dilutive.

(ii) For the years ended December 31, 2006 and 2005, 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).

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

14. Earnings per share continued

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 2007 were as follows:

	Goodwill US$'000	Licenses US$'000	Other US$'000	Total US$'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**

The movements in intangible assets in 2006 were as follows:

	Goodwill US$'000	Licenses US$'000	Other US$'000	Total US$'000
Opening balance, net	77,351	271,937	24,199	373,487
Additions	–	32,520	1,253	33,773
Changes in the composition of the Group (note 4) (ii)	112,724	71,124	105,000	288,848
Amortisation charge (i)	–	(26,354)	(13,317)	(39,671)
Other movements	–	–	(2,745)	(2,745)
Exchange rate movements	6,409	3,103	6,985	16,497
Transfer to assets held for sale, net (note 6)	(306)	(187,108)	–	(187,414)
Closing balance, net	196,178	165,222	121,375	482,775
As at December 31, 2006				
Cost or valuation	196,178	208,760	136,213	541,151
Accumulated amortisation	–	(43,538)	(14,838)	(58,376)
Net	196,178	165,222	121,375	482,775

(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".

(ii) Movement in goodwill represents $62.2 million of goodwill from the acquisition of 50% of Colombia Móvil, $15.9 million of goodwill from the acquisition of 15.6% of Millicom Tanzania Limited, $31.5 million of goodwill from the acquisition of 25% of Sentel GSM and $3.1 million of goodwill from the acquisition of 4% of Telefonica Celular de Paraguay S.A.

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

	2007 US$'000	2006 US$'000	2005 US$'000
Additions	**19,442**	33,773	226,195
Additions from discontinued operations	**–**	–	(218,012)
Subtotal	**19,442**	33,773	8,183
License installments	**6,374**	6,717	–
Cash used from continuing operations for additions from intangible assets	**25,816**	40,490	8,183

Impairment test of goodwill

For the year ended December 31, 2007, management tested for the impairment of all goodwill. 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 three 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%. The cash flows are discounted using suitable discount and growth rates. No impairment losses were recorded on goodwill for the years ended December 31, 2007 and 2006.

15. Intangible assets continued

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

Millicom's operations in:

	2007 US$'000	2006 US$'000
Colombia (i)	**49,731**	66,523
El Salvador	**42,053**	42,053
Ghana	**18,780**	19,811
Senegal	**38,430**	34,661
Tanzania	**16,233**	14,818
Other	**18,630**	18,312
Total goodwill	**183,857**	196,178

(i) An amount of $23.4 million of goodwill has been reversed in Colombia as a result of deferred tax assets recognized 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, 2007 and 2006:

	Discount rate after tax 2007	2006
Central America	**11.9%–13.1%**	11.5%–13.8%
South America	**11.0%–14.1%**	11.8%–15.3%
Africa	**12.8%–16.1%**	11.5%–20.9%
Asia	**13.0%–15.3%**	12.5%–16.8%

16. Property, plant and equipment

The movements in 2007 were as follows:

	Network equipment US$'000	Land and buildings US$'000	Construction in progress US$'000	Other (i) US$'000	Total US$'000
Opening balance, net	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

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

16. Property, plant and equipment continued

The movements in 2006 were as follows:

	Network equipment US$'000	Land and buildings US$'000	Construction in progress US$'000	Other (i) US$'000	Total US$'000
Opening balance, net	451,180	21,093	156,090	43,411	671,774
Additions	20,479	6,420	647,435	50,074	724,408
Disposals	(958)	(84)	–	(461)	(1,503)
Change in composition of the Group (notes 4 and 5)	199,030	(1,134)	43,878	1,994	243,768
Impairments (iv)	(2,952)	–	–	–	(2,952)
Depreciation charge (iii)	(193,416)	(2,464)	–	(22,206)	(218,086)
Asset retirement obligations	16,378	–	–	–	16,378
Transfers	558,999	8,661	(567,660)	–	–
Exchange rate movements	22,511	1,016	2,360	366	26,253
Transfer to assets held for sale (note 6)	(137,870)	(880)	(50,465)	(3,666)	(192,881)
Closing balance	933,381	32,628	231,638	69,512	1,267,159
As at December 31, 2006					
Cost or valuation	1,517,557	41,780	231,638	144,927	1,935,902
Accumulated depreciation	(584,176)	(9,152)	–	(75,415)	(668,743)
Net	933,381	32,628	231,638	69,512	1,267,159

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

(ii) For the year ended December 31, 2007, Millicom recorded an impairment charge of $1.7 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) For the year ended December 31, 2006, Millicom recorded an impairment charge of $3 million related to the network equipment in its operations in Sierra Leone, Mauritius and Laos.

The amount of borrowing costs capitalized for the year ended December 31, 2007 was $5.8 million (2006: $4.5 million).

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

	2007 US$'000	2006 US$'000	2005 US$'000
Additions	**1,036,160**	724,408	349,745
Additions from discontinued operations	**(38)**	(107,901)	(91,685)
Subtotal	**1,036,122**	616,507	258,060
Suppliers advances	**20,055**	40,171	–
Change in capex payable	**(171,809)**	(128,124)	(61,590)
Vendor financing (see note 27)	**(23,041)**	(65,870)	–
Cash used from continuing operations for purchase of property, plant and equipment	**861,327**	462,684	196,470

17. Investment in associates

As at December 31, 2007 and 2006 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% (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:

	2007 US$'000	2006 US$'000
Opening balance (i)	**6,838**	5,367
Share of profit (i), (ii)	**4,400**	1,483
Exchange rate movements	**(4)**	(12)
Closing balance (i)	**11,234**	6,838

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

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

17. Investment in associates continued

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

Name	Country of incorporation	Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit US$'000	% interest held
2007						
Navega.com S.A.	Guatemala	16,393	9,640	8,826	3,054	24.7%
Metrored S.A. (i)	Honduras	11,384	6,903	6,848	1,346	45.3%
		27,777	**16,543**	**15,674**	**4,400**	
2006						
Navega.com S.A.	Guatemala	13,613	9,914	5,802	961	24.7%
Metrored S.A. (i)	Honduras	8,476	5,337	3,976	522	45.3%
		22,089	**15,251**	**9,778**	**1,483**	

(i) Represents Millicom's 32.7% holding in Metrored S.A. through its operation in Honduras. Millicom also holds 12.6% of Metrored S.A. through its investment in Navega.com S.A.

18. Trade receivables

	2007 US$'000	2006 US$'000
Gross trade receivables	**259,522**	207,067
Less: provisions for impairment of receivables	**(35,943)**	(21,612)
Trade receivables, net	**223,579**	185,455

As at December 31, 2007 and 2006, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired US$'000	Past due but not impaired <30 days US$'000	30–90 days US$'000	>90 days US$'000	Total US$'000
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**
2006					
Telecom operators	79,674	21,173	17,577	15,362	133,786
Own subscribers	23,417	3,630	2,441	2,149	31,637
Others	12,103	5,649	1,735	545	20,032
Total	**115,194**	**30,452**	**21,753**	**18,056**	**185,455**

19. Other current assets

Other current assets are comprised as follows:

	2007 US$'000	2006 US$'000
VAT tax sales receivables	**20,444**	12,581
Pledged deposits	**8,233**	45,402
Receivables from the sale of Paktel (see note 5) (i)	**7,593**	–
Other	**12,211**	15,851
Total other current assets	**48,481**	73,834

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

20. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	2007 US$'000	2006 US$'000
Cash and cash equivalents in US dollars	**1,050,919**	503,869
Cash and cash equivalents in other currencies	**123,678**	152,823
Total cash and cash equivalents	**1,174,597**	656,692

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

21. Share capital

Share capital and share premium

The authorized share capital of the Company totals 133,333,200 registered shares (2006: 133,333,200). As at December 31, 2007, the total subscribed and fully paid-in share capital and premium was $417.4 million (2006: $372.5 million) consisting of 102,428,260 (2006: 100,683,880) registered common shares at a par value of $1.50 (2006: $1.50) each.

In 2007, the Company issued a total of 1,744,380 new shares (2006: 980,282 new shares and 654,852 from treasury share), resulting from:

– 1,625,872 new shares (2006: 912,769 new shares and 654,852 from treasury share) following the exercise of share options;

– 89,822 new restricted shares to employees and directors (2006: 67,513); and

– 28,686 new shares following the conversion of $1 million of 4% Convertible Notes.

At the Company's Annual General Meeting in May 2006, the shareholders voted to transfer $101.9 million of the share premium account to the statutory accumulated losses.

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, 2007. The market price of the Company's shares as at December 31, 2007 was $117.94 (2006: $61.64).

	Options outstanding		Options exercisable	
Range of exercise price $	Weighted average exercise price	Number outstanding at December 31, 2007	Weighted average exercise price	Number outstanding at December 31, 2007
3.32-3.75	**3.51**	**27,552**	**3.51**	**27,552**
9.00	**9.00**	**10,732**	**9.00**	**10,732**
20.56	**20.56**	**451,408**	**20.56**	**101,979**
25.05-29.75	**26.37**	**118,315**	**26.37**	**118,315**
31.88-35.91	**34.06**	**99,996**	**34.06**	**99,996**
3.32-35.91	**22.60**	**708,003**	**24.59**	**358,574**

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, 2007	Exercise price $	Terms of option
May 1996, May 1997, May 1998, May 2000 and May 2004	179,995	25.05–35.91	Exercisable immediately. Options have an indefinite life.
May 2005	76,667	20.56	Exercisable immediately. Options have a twenty year life.
December 2001, December 2002, May 2003 and May 2004	76,600	3.32–25.05	Exercisable over a three-year period in equal installments. Options expire after six years from date of grant.
May 2005	274,741	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 five-year period in equal installments from the start of the fourth year. Options expire after six years from date of grant.

22. Share-based compensation continued

The following table summarizes the Company's share options as of December 31, 2007, 2006 and 2005, and changes during the years then ended:

	2007		2006		2005	
	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	**21.04**	**2,380,305**	15.96	3,812,387	15.56	4,127,547
Granted	**–**	**–**	20.56	50,000	20.56	740,740
Expired/forfeited (i)	**20.83**	**(46,430)**	28.53	85,539	26.09	(571,381)
Exercised	**20.37**	**(1,625,872)**	9.08	(1,567,621)	7.39	(484,519)
Outstanding at end of year	**22.60**	**708,003**	21.04	2,380,305	15.96	3,812,387
Exercisable at end of year	**24.59**	**358,574**	20.91	1,807,796	15.40	2,321,646

(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 and $2.76 to $8.63 for 2005. The significant inputs into the model were share price of $19.21 for 2006 and $17.88 for 2005 at the grant date, exercise price as disclosed above, expected exercise date based on previous exercise behavior for employees and for Directors between one and 20 years, option contractual term as previously disclosed, annual risk-free interest rate of 3.74% for both 2006 and 2005 and expected share price volatility of 46.5% for both 2006 and 2005 based on statistical analysis of daily share prices over the last two years amended for the change in the debt levels of the Company over the same period of time. No new options were granted in 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, 2007 Millicom recorded a charge of $0.6 million (2006: $2.8 million; 2005: $3.1 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 2007 were as follows:

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

Grants to Directors and employees in 2006 were as follows:

	Number of shares	Share price at date of grant	Expense US$'000
Directors	10,098	44.58	450
Employees	57,415	33.33	1,913
Total	67,513		2,363

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

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 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, or performance cycle, 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.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

22. Share-based compensation continued

The plan has been designed so that the shares normally vest at the end of the three-year performance period. However, for the performance cycle 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 could be an additional 40% of shares that vest if further performance targets relating to Millicom's share price growth compared to a peer group index, revenue growth, EBITDA margin, and profit margin are achieved.

The total charge for the above plan is estimated at $24.9 million which will be recorded over the service period. Since the plan was approved at the Annual General Meeting in May 2006 and, as such, the employees became aware of the intention to issue the plan at that date, a charge of $7.7 million was recorded in 2006. 57,957 shares were issued in 2007 representing the grants that vested on December 31, 2006. For the year ended December 31, 2007 a charge of $11 million was recorded.

A new long term incentive plan covering 2007–2009 ("2007 LTIP") was approved by the Board on March 15, 2007. This plan consists 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, or performance cycle, 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, or performance cycle subject to market conditions that are based on the "total shareholder return" ("TSR") of Millicom's shares compared to the TSR of six similar mobile telephony companies during the three-year performance cycle 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 9,214 new shares on June 22, 2007 which were purchased by employees at fair market value.

The total charge for the above plans is estimated at $24.2 million ($15.8 million for the performance shares and $8.4 million for the matching share award plan) which will be recorded over the service period. A charge of $4.5 million has been recorded in 2007 in respect of the performance shares and $2.4 million in respect to the matching share award plan.

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

	Matching share award plan 2007	**Performance shares 2007**	Performance shares 2006
Maximum share awards	**187,470**	**250,700**	446,600
Revision for expected forfeitures	**(26,738)**	**(35,756)**	(72,053)
Revision for expectations in respect of performance conditions	**–**	**–**	(26,753)
Shares issued	**–**	**–**	(57,957)
Share awards expected to vest	**160,732**	**214,944**	289,837

Total share-based compensation expense

Total share-based compensation for years ended December 31, 2007, 2006 and 2005 was as follows:

	2007 US$'000	2006 US$'000	2005 US$'000
Share options	**627**	2,781	3,075
Restricted share grants	**755**	2,363	–
2006 LTIP	**10,971**	7,706	–
2007 LTIP	**6,875**	–	–
Total share-based compensation expense	**19,228**	12,850	3,075

23. Other reserves

	Legal reserve US$'000	Equity-settled transaction reserve US$'000	Equity component convertible notes US$'000	Currency translation reserve US$'000	Revaluation reserve US$'000	Total US$'000
As at January 1, 2005	13,577	2,297	–	(71,116)	–	(55,242)
Fair value adjustment	–	–	–	–	(3,308)	(3,308)
Shares issued via the exercise of share options	–	(462)	–	–	–	(462)
Share-based compensation	–	3,075	–	–	–	3,075
4% Convertible Notes – equity component	–	–	39,109	–	–	39,109
Currency translation movement	–	–	–	(5,005)	–	(5,005)
As at December 31, 2005	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**

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 2007, the shareholders voted to transfer $1.5 million from retained profits to the legal reserve.

Equity-settled transaction reserve
The cost of share options is recognized 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 (see note 24).

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

Currency translation reserve
For the purposes of consolidating joint ventures, associates and subsidiaries with functional currencies other than US dollars, their balance sheets are translated to US dollars using the closing exchange rate. Profit and loss accounts are translated to US 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.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

24. Borrowings

Borrowings are comprised of the following:

	2007 US$'000	2006 US$'000
Corporate debt:		
10% Senior Notes	**479,826**	538,673
4% Convertible Notes – debt component (i)	**178,940**	171,169
Other debt and financing	**1,175,525**	783,814
Total borrowings	**1,834,291**	1,493,656

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

Borrowings due after more than one year:

	2007 US$'000	2006 US$'000
Corporate debt:		
10% Senior Notes	**–**	538,673
4% Convertible Notes – debt component	**–**	171,169
	–	709,842
Other debt and financing:		
Bank financing	**1,061,310**	706,745
Vendor financing	**17,947**	27,923
Finance leases	**7,061**	4,933
Total non-current other debt and financing	**1,086,318**	739,601
Less: portion payable within one year	**(141,112)**	(90,448)
Total other debt and financing due after more than one year	**945,206**	649,153

Borrowings due within one year:

	2007 US$'000	2006 US$'000
Corporate debt:		
10% Senior Notes	**479,826**	–
4% Convertible Notes – debt component	**178,940**	–
	658,766	–
Other debt and financing:		
Bank financing	**83,698**	38,167
Vendor financing	**5,509**	6,046
Total current other debt and financing	**89,207**	44,213
Portion of non-current debt payable within one year	**141,112**	90,448
Total other debt and financing due within one year	**230,319**	134,661

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% prepayment expense and an increase in the amortised cost of the Notes due to the earlier settlement date.

24. Borrowings continued

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 $195.9 million.

The 4% Convertible Notes are 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 is 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 is 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 has 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 $38.9 million (2006: $39.1 million) and the value allocated to debt was $178.9 million (2006: $171.2 million).

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

On January 22, 2008, Millicom converted a further $196 million of the outstanding bonds into 5,622,471 shares. 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 approximately $176 million in January 2008 (see note 31). As a result Millicom reclassified the 4% Convertible Notes from non-current to current.

Other debt and financing

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

	2007 US$'000	2006 US$'000
Bolivia (i)	**41,874**	28,241
Chad (ii)	**23,830**	–
Colombia (iii)	**436,670**	372,396
Democratic Republic of the Congo (iv)	**60,877**	25,781
El Salvador (v)	**199,715**	154,223
Ghana (vi)	**108,244**	38,391
Honduras (vii)	**56,961**	20,132
Senegal (viii)	**62,557**	28,367
Sri Lanka (ix)	**53,416**	34,357
Tanzania (x)	**51,471**	18,151
Other	**79,910**	63,775
Total other debt and financing	**1,175,525**	783,814
Of which:		
due after more than one year	**945,206**	649,153
due within one year	**230,319**	134,661

Significant individual financing facilities are described below:

i) Bolivia

In December 2007, Telefonica Celular de Bolivia S.A. ("Telecel Bolivia"), Millicom's operation in Bolivia, signed a financing agreement for $40 million with the Nederlandse Financieringsmaatschappij Voor Ontwikkelingslanden, NV (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 seven 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 five years and bears interest at $ LIBOR plus 2%. Both tranches are guaranteed by the Company and were fully drawn as at December 31, 2007.

As at December 31, 2006, Telecel Bolivia also had $7.2 million outstanding on a financing agreement with the International Finance Corporation granted in 2001 and $15 million outstanding on a bridge financing from Standard Bank. Both of these amounts were repaid during 2007.

In addition to the above, Telecel Bolivia also had $1.9 million of other debt and financing outstanding as at December 31, 2007 (2006: $6 million).

ii) Chad

In May 2007, Millicom Tchad S.A., Millicom's operation in Chad, entered into a $ 32 million, five year loan with the China Development Bank to finance equipment purchases from Huawei, an equipment supplier. This loan bears interest at $ LIBOR plus 2% and is 100% guaranteed by the Company. As of December 31, 2007, $12.1 million was outstanding under this facility.

In August 2007, Millicom Tchad S.A. entered into a Euro 11 million, five year loan with PROPARCO (Promotion et participation pour la coopération économique). This loan bears interest at EURIBOR plus 2% and is 100% guaranteed by the Company. As at December 31, 2007, the Euro equivalent of $11.7 million was outstanding under this facility.

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

24. Borrowings continued

iii) Colombia

In October 2006, the Company acquired a majority ownership 50% plus one share in Colombia Móvil S.A. ESP. At the time of the acquisition the Company had a COP 168,539 million (approximately $83 million) Hermes guaranteed export credit facility with Citigroup maturing in January 2012 and a COP 309,800 million ($154 million) loan facility arranged by BBVA maturing in November 2009. These facilities bear interest at IPC plus 6.3% and DTF plus 4.15%, respectively and are 100% guaranteed by the minority shareholders. As at December 31, 2007 $53.7 million (2006: $59.1 million) and $94.5 million (2006: $127.7 million) respectively were outstanding under these facilities.

Colombia Móvil S.A. ESP also had local currency loans from the minority shareholders outstanding as at December 31, 2007 of $229.5 million (2006: $185.6 million). These loans bear interest at DTF plus 4.15% and mature between 2011 and 2013.

In addition, as at December 31, 2007 Colombia Móvil S.A. ESP had $57 million (2006: $ nil) outstanding in respect of local currency 60 day treasury credits from various banks and $2 million (2006: $ nil) of other debt and financing, in US dollar and local currency.

iv) The Democratic Republic of the Congo

In September 2006, Oasis SPRL ("Oasis"), Millicom's operation in The Democratic Republic of the Congo, entered into a $106.3 million, seven 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, 2007, $55.9 million was outstanding under this facility (2006: $21.5 million) and in addition Oasis had other debt and financing of $5 million (2006: $4.3 million).

v) El Salvador

In September 2006, Telemovil El Salvador S.A., Millicom's operation in El Salvador, entered into a $200 million five 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, 2007, $199.7 million of this facility was outstanding (2006: $154.2 million).

vi) Ghana

In December 2007 Millicom (Ghana) Limited, Millicom's operation in Ghana, entered into a $60.5 million local five year club-deal Facility (Agent Stanbic). The loan bears interest at LIBOR plus 2%. In parallel a $80 million offshore seven year DFI (Development Finance Institution) financing which bears interest at LIBOR plus 2.25% was arranged. The local tranche was fully drawn whereas the outstanding amount under the offshore DFI tranche amounted to $30 million at the end of December 2007.

In July 2005, Millicom (Ghana) Limited entered into a $20 million loan agreement with Citibank NA, 75% guaranteed by the Overseas Private Investment Corporation and 100% guaranteed by the Company. This loan bears interest at $ LIBOR plus 2.5% and is repayable in eight semi-annual installments commencing from January 2007. As at December 31, 2007, the outstanding was $15 million (2006: $20 million).

In 2006, Millicom (Ghana) Limited entered into a $18.4 million loan from Ericsson Credit BV, bearing interest at $ LIBOR plus 2.5%. This loan was settled in December 2007.

In addition as at December 31, 2007, Ghana had other debt and financing of $2.7 million (2006: $ nil).

vii) Honduras

Telefonica Celular S.A., Millicom's operation in Honduras, has facilities with seven local banks maturing between 2008 and 2015. These facilities are in US dollars and in Lempiras and are unsecured. Interest rates are either fixed or variable, ranging as of December 31, 2007 between 7.28% and 10.25% (2006: between 6.38% and 11%). As at December 31, 2007, the outstanding debt under these facilities was $57 million (2006: $20.1 million).

viii) 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 dollars as at December 31, 2007 was $27.9 million (2006: $25.2 million).

In addition Sentel GSM entered into a five 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 dollars as at December 31, 2007 was $17.3 million.

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 bears a 7% interest rate and matures in March 2008. As of December 31, 2007 $0.7 million (XAF336 million) (2006: $3.2 million (XAF1,611 million)) of this facility was outstanding.

In addition, in 2007, Sentel GSM entered into two new loans with CBAO amounting in total to XAF7,500 million bearing fixed interest respectively of 6.5% and 8%. These loans were fully drawn as at December 31, 2007 and the amount outstanding was $16.7 million.

ix) Sri Lanka

In 2004, Tigo (Pvt) Limited, Millicom's operation in Sri Lanka arranged a five year syndicated loan of LKR 2,000 million ($18.2 million) through ABN-Amro, 47.5% is ABN-Amro guaranteed which in turn is counter guaranteed by the Company. The loan carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 2.75% which for the year ended December 31, 2007 was approximately 20% (2006: 14%). The unsecured tranche carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 3%. Tigo (Pvt) Limited must repay the loan between 2006 and 2009. The outstanding US dollars amount as of December 31, 2007 was $9.8 million (2006: $14.6 million).

In 2006, Tigo (Pvt) Limited entered into a LKR4,200 million ($38.2 million) facility, 50% is ABN-Amro guaranteed which in turn is counter guaranteed by the Company. This loan matures in December 2011, and bears interest equal to the average weighted prime lending rate plus 1.75% (tranche A) and plus 1% (tranche B) approximately 19% and 18% (2006: 16% and 15%). As of December 31, 2007, this facility was fully drawn and the outstanding US dollars amount was $38.2 million (2006: $12.4 million).

In addition to the above, Tigo (Pvt) Limited also had $5.4 million (2006: $7.4 million of which $2 million was in local currency) of other debt and local financing outstanding as at December 31, 2007.

24. Borrowings continued

x) Tanzania

In March 2007 Millicom Tanzania Limited, Millicom's operation in Tanzania, entered into a new five year Citi-Opic facilities, bearing interest rate of LIBOR plus 2.5%, composed of a $17.4 million US dollar tranche and a tranche in local currency up to the equivalent of $5 million. The outstanding US dollar amount under these facilities as at December 31, 2007 amounted to $22.9 million.

At the same time Millicom Tanzania Limited entered into a five year $10 million term loan with Barclays bearing interest of LIBOR plus 3% and a five year $16.5 million vendor financing with Ericsson credit AB, priced at LIBOR plus 2.5%. The amount outstanding as at December 31, 2007 was $8.5 million under the Barclays loan and $14 million under the Ericsson loan.

In addition to the above, Millicom Tanzania Limited also had $6.1 million (2006: $18.1 million) of other debt and financing outstanding as at December 31, 2007.

Fair value of financial liabilities

Borrowings are recorded at amortised cost. The fair value of borrowings as at December 31, 2007 and 2006 is as follows:

	2007 US$'000	2006 US$'000
10% Senior Notes	**489,459**	601,219
4% Convertible Notes (i)	**199,000**	184,542
Other debt and financing	**1,173,252**	783,954
Fair value of total debt	**1,861,711**	1,569,715

(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.

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, 2007 and 2006. Amounts issued to cover 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, 2007:

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

As of December 31, 2006:

	Bank and other financing guarantees (i)		Supplier guarantees (ii)		Total	
Terms	Outstanding exposure US$'000	Maximum exposure US$'000	Outstanding exposure US$'000	Maximum exposure US$'000	Outstanding exposure US$'000	Maximum exposure US$'000
Zero to one year	23,422	33,489	12,891	22,332	36,313	55,821
One to three years	15,786	18,711	34,123	34,582	49,909	53,293
Three to five years	60,966	76,450	–	–	60,966	76,450
More than five years	41,547	196,121	–	–	41,547	196,121
Total (iii)	141,721	324,771	47,014	56,914	188,735	381,685

(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 $739.2 million (2006: $516 million). The assets pledged by the Group for these debts and financings amount to$448.6 million (2006: $758.6 million).

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

25. Other non-current and current provisions and liabilities

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

	2007 US$'000	2006 US$'000
Non-current legal provisions (note 28)	**7,133**	20,195
Long-term portion of asset retirement obligations	**42,502**	23,933
Unpaid portion of license fees	**915**	2,139
Other	**5,051**	3,086
Total	**55,601**	49,353

Included in non-current legal provisions are litigation contingencies of $3.7 million (2006: $16.3 million) that were assumed as part of the Colombia Móvil S.A. acquisition. The founding shareholders of Colombia Móvil S.A. committed to reimburse Millicom for any payments relating to these litigation contingencies. As a consequence, Millicom has booked a corresponding receivable.

Provisions and other current liabilities are comprised as follows:

	2007 US$'000	2006 US$'000
Deferred revenues	**82,932**	62,070
Subscriber deposits	**4,890**	3,894
Current legal provisions (note 28)	**3,207**	3,561
Asset retirement obligations	**413**	669
Unpaid portion of license fees	**2,745**	7,200
Other tax payables	**32,939**	12,019
Other	**14,430**	9,879
Total	**141,556**	99,292

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, 2007, 2006 and 2005 was as follows:

	Chairman		Other members of the Board		Total
	Number of shares and share options	US$'000	Number of shares and share options	US$'000	US$'000
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
2005					
Fees		75		455	530
Share-based compensation: (i)					
Share options granted/charge for share options (iii)	25,000	137	175,000	854	991
Total		212		1,309	1,521

(i) See note 22.

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

(iii) The share options were granted to the Chairman and the other members of the Board at an exercise price equal to the market price at the date of grant plus a mark-up of 15%.

26. Directors' and officers' remuneration continued

The number of shares and share options beneficially owned by the Board as at December 31, 2007 and 2006 was as follows:

	Chairman	Other members of the Board	Total
2007			
Shares (i)	2,082	2,100,753	2,102,835
Share options	45,000	55,000	100,000
2006			
Shares (i)	1,122	2,154,362	2,155,484
Share options	45,000	206,668	251,668

(i) The amount for other members of the Board includes 2,032,932 shares (2006: 2,032,932) owned by the Stenbeck Family, of which 1,156,589 shares (2006: 1,156,589) are 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 and Chief Financial Officer were set by the CEO and approved by the Board.

The remuneration charge for the Officers for the year ended December 31, 2007, 2006 and 2005 was as follows:

	Chief Executive Officer		Chief Operating Officer		Chief Financial Officer		Total
	Number of shares and share options	US$'000	Number of shares and share options	US$'000	Number of shares and share options	US$'000	US$'000
2007							
Base salary		2,351		629		690	3,670
Bonus		2,008		547		500	3,055
Pension		–		–		83	83
Other benefits		–		138		–	138
		4,359		1,314		1,273	6,946
Share-based compensation: (i)							
Shares issued/charge under long term incentive plans (ii)	8,527	2,076	3,282	850	2,190	539	3,465
Charge for share options		104		54		171	329
Total		**6,539**		**2,218**		**1,983**	**10,740**
2006							
Base salary		1,982		624		568	3,174
Bonus (iii)		1,669		712		468	2,849
Pension		–		–		73	73
Other benefits		–		138		–	138
		3,651		1,474		1,109	6,234
Share-based compensation: (i)							
Restricted shares (iv)	3,132	104	1,853	62	1,430	48	214
Charge for long term incentive plans (v)		1,031		397		265	1,693
Share options granted/charge for share options	–	240	–	113	50,000	228	581
Total		5,026		2,046		1,650	8,722
2005							
Base salary		1,449		475		190	2,114
Bonus		602		325		95	1,022
Pension		401		–		21	422
Other benefits		–		238		–	238
		2,452		1,038		306	3,796
Share-based compensation: (i)							
Share options granted/charge for share options	75,000	553	37,600	200	50,000	38	791
Total		3,005		1,238		344	4,587

(i) See note 22.

(ii) 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 could be 140% of these awards .

(iii) $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 LTIP finalized in 2007.

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26. Directors' and officers' remuneration continued

The number of shares, share options and unvested share awards beneficially owned by the Officers as at December 31, 2007 and 2006 was as follows:

	Chief Executive Officer	Chief Operating Officer	Chief Financial Officer	Total
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**
2006				
Shares	1,001,604	554,705	1,430	1,557,739
Share options	791,664	40,080	100,000	931,744

Severance payments

If employment of the Officers 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, 2007, 2006 and 2005.

	2007 US$'000	2006 US$'000	2005 US$'000
Investing activities:			
Sale of Tele2 AB "B" shares	**–**	252,140	–
Acquisition of property, plant and equipment (see note 16)	**(23,041)**	(65,870)	–
Derecognition of the embedded derivative on the 5% Mandatory Exchangeable Notes	**–**	105,372	–
Asset retirement obligations	**(15,305)**	(16,378)	(1,908)
Excess of fair value over the acquisition costs of 16.67% of Telefonica Celular	**–**	–	6,299
Financing activities:			
Vendor financing	**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)	**19,228**	12,850	3,075

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, 2007, the total amount of claims against Millicom's operations was $49.5 million (December 31, 2006: $59.9 million) of which $0.9 million (2006: $11.6 million) relate to joint ventures. As at December 31, 2007 $10.3 million (December 31, 2006: $23.8 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.

Lease commitments

Operating Leases:

The Group has the following annual operating lease commitments as of December 31, 2007 and 2006.

		2007 US$'000	2006 US$'000
Operating lease commitments			
Within:	one year	**25,732**	33,669
Between:	one to five years	**101,191**	70,347
After:	five years	**110,918**	54,014
Total		**237,841**	158,030

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 $47.7 million in 2007 (2006: $23.5 million, 2005: $15 million).

28. Commitments and contingencies continued

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 $400.3 million (2006: $308.6 million), of which $88.2 (2006: $47.9 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 $377.8 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 recognized as they had not yet been used as at December 31, 2007 was $30 million (2006: $ nil).

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 and subsidiaries ("Kinnevik"). Kinnevik is a Swedish holding company with interests in the telecommunications, media, publishing and paper industries. As of December 31, 2007, Kinnevik owned approximately 37% of Millicom.

During 2007 and 2006, Kinnevik did not purchase any Millicom shares.

Services purchased and sold to related companies

The Group made purchases for an amount of $4.1 million (2006: $5.3 million) and had outstanding balances of $1.5 million (as of December 31, 2006: $5.2 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, 2007, Millicom had no receivables from related parties (2006: $1.2 million).

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, 2007, approximately 43% of the Group's borrowings are at a fixed rate of interest (2006: 52%).

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

	Amounts due within						
(US$'000, except percentages)	**1 year**	**1–2 years**	**2–3 years**	**3–4 years**	**4–5 years**	**>5 years**	**Total**
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%

The table below summarizes, as at December 31, 2006, our fixed rate debt and floating rate debt.

	Amounts due within						
(US$'000, except percentages)	1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
Fixed rate	15,177	4,133	5,481	199,189	2,744	543,471	770,195
Average nominal interest rate	8.2%	7.0%	5.5%	4.6%	7.2%	10.0%	8.5%
Floating rate	119,484	104,267	132,927	74,154	140,216	152,413	723,461
Average nominal interest rate	9.7%	9.8%	9.1%	8.4%	9.0%	9.8%	9.4%
Total	134,661	108,400	138,408	273,343	142,960	695,884	1,493,656
Average nominal interest rate	9.5%	9.7%	9.0%	5.6%	9.0%	10.0%	8.9%

A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at December 31, 2007, would increase or reduce profit before tax for the year by approximately $10.4 million (2006 :$7.2 million).

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

30. Financial risk management continued

Foreign currency risk

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

Millicom seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies. In some cases, Millicom may borrow in US dollars because it is either advantageous for joint ventures and subsidiaries to incur debt obligations in US dollars or because US dollar denominated borrowing is the only funding source available to a joint venture or subsidiary. In these circumstances, Millicom has currently decided to accept the remaining currency risk associated with the financing of its joint ventures and subsidiaries, principally because of the relatively high cost of forward cover, when available, in the currencies in which the Group operates.

The following table summarizes our debt detailing the balances at December 31, 2007 and 2006, that were denominated in US dollars and in other local currencies.

	2007 US$'000	2006 US$'000
US$	**1,226,332**	1,029,499
Colombia	**435,615**	372,396
Honduras	**41,352**	10,990
Senegal	**62,557**	28,367
Sri Lanka	**48,016**	28,958
Others	**20,419**	23,446
Total local currency	**607,959**	464,157
Total	**1,834,291**	1,493,656

At December 31, 2007, if the US dollar 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 $12.6 and $10.4 million respectively (2006: $12.8 and $10.5 million respecitvely). 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 dollar between 2007 and 2006 is mainly as a result of the increase in the size of the Group and the increase in foreign currency debt.

The change of the US dollar against the functional currencies of the operations located in Central America has not been considered as these currencies have been closely linked to US dollar 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. Given the respective government backing and/or ownership of these institutions, we do not expect this to stop.

30. Financial risk management continued

The tables below summarise the maturity profile of the Group's net financial liability at December 31, 2007 and 2006.

	Less than 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total US$'000
Year ended December 31, 2007				
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)	(621,818)	–	–	(621,818)
Other financial liabilities (including accruals)	(409,342)	–	–	(409,342)
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)**

	Less than 1 year US$'000	1–5 years US$'000	>5 years US$'000	Total US$'000
Year ended December 31, 2006				
Total borrowings (see note 24)	(134,661)	(663,111)	(695,884)	(1,493,656)
Cash and cash equivalent	656,692	–	–	656,692
Net debt	522,031	(663,111)	(695,884)	(836,964)
Future interest commitments (i)	(92,681)	(363,231)	(135,185)	(591,097)
Trade payables (excluding accruals)	(428,304)	–	–	(428,304)
Other financial liabilities (including accruals)	(249,809)	–	–	(249,809)
Trade receivables	185,455	–	–	185,455
Other financial assets	98,563	26,225	–	124,788
Net financial asset/(liability)	35,255	(1,000,117)	(831,069)	(1,795,931)

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2007 and December 31, 2006.

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

	2007 US$'000	2006 US$'000
Net debt	**659,694**	836,964
Adjusted operating profit (see note 9)	**1,113,858**	717,148
	Ratio	Ratio
Net debt to adjusted operating profit ratio	**0.6**	1.2

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.

	2007 US$'000	2006 US$'000
Net debt	**659,694**	836,964
Equity	**1,287,907**	504,874
Net debt and equity	**1,947,601**	1,341,838
Gearing ratio	**34%**	62%

Notes to the consolidated financial statements continued

As of December 31, 2007, 2006 and 2005

31. Subsequent events

4% Convertible Notes

In December 2007, Millicom announced that any of its 4% Convertible Bonds that were not converted into shares by January 11, 2008 at the request of the bondholders would be redeemed in cash. Before December 2007, $1 million of the bonds had been converted into 28,686 shares. In early January a further $196 million of the outstanding bonds were converted into 5,622,471 shares. Millicom repaid the $3 million of bonds that were not converted, including accrued interest.

The conversion will result in an increase in equity amounting to approximately $176 million in Q1 2008 and a decrease in interest expenses of approximately $35 million over 2008 and 2009. There were 108,050,731 shares outstanding after the conversion.

Proposed dividend

Due to the strength of the balance sheet and the net cash proceeds from the sale of our business in Pakistan, the Board has recommended a special dividend of $2.40 a share be paid following the Annual General Meeting in May of 2008. The Group has not yet adopted a formal dividend policy. Any future dividends will be based on the free cash flows of the Group going forward.

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Financial calendar
February 13, 2008
Full year results 2007

April 22, 2008
First quarter results

May 27, 2008
Annual/Extraordinary General Meeting

July 22, 2008
Second quarter results

October 21, 2008
Third quarter results

February 2009
Full year results 2008

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