

# SECURITIES AND EXCHANGE COMMISSION

## FORM 20-F

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d)

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### FILER

#### MILLICOM INTERNATIONAL CELLULAR SA

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 20-F

### ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

Commission File Number: 000-22828

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## MILLICOM INTERNATIONAL CELLULAR S.A.

(Exact name of Registrant as specified in its charter)

**GRAND-DUCHY OF LUXEMBOURG**

(Jurisdiction of incorporation or organization)

**75 Route de Longwy, L-8080 Bertrange, Grand-Duchy of Luxembourg**

(Address of principal executive offices)

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**Securities registered pursuant to Section 12(b) of the Act: None**

**Securities registered pursuant to Section 12(g) of the Act:**

**Common Shares, par value \$1.50 each, as of December 31, 2004**

(Title of Class)

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None**

Indicate the number of shares outstanding of each of the Issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**Common Shares with a par value of \$1.50 each: 99,219,079 as of December 31, 2004**

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 ☐ Item 18 ☒

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## FORWARD-LOOKING STATEMENTS

Certain of the statements made in this document may be considered to be "forward-looking statements" as that term is defined in the U.S. Private Securities Litigation Reform Act of 1995, such as statements that include the words "expect", "estimate", "believe", "project", "anticipate", "should", "intend", "probability", "risk", "may", "target", "goal", "objective" and similar expressions or variations on such expressions. These statements appear in a number of places throughout the document including, but not exclusively, "Information on the Company", and "Operating and Financial Review and Prospects". These statements concern, among other things, trends affecting the Company's financial condition or results of operations, capital expenditure plans, the potential for growth and competition in areas of the Company's business, the potential for new agreements or extensions of existing agreements to be signed with business partners or governmental entities or licenses to be granted by governmental authorities, and the supervision and regulation of the telecommunications' markets. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties; actual results may differ materially as a result of various factors.

These factors include, but are not limited to:

general economic conditions, government and regulatory policies and business conditions in the markets served by the Company and its affiliates;

telecommunications usage levels, including traffic and customer growth;

competitive forces, including pricing pressures, technological developments and the ability of the Company to retain market share in the face of competition from existing and new market entrants;

regulatory developments and changes, including with respect to the level of tariffs, the terms of interconnection, customer access and international settlement arrangements, and the outcome of litigation related to regulation;

the success of business, operating and financing initiatives, the level and timing of the growth and profitability of new initiatives, start-up costs associated with entering new markets, costs of handsets and other equipment, the successful deployment of new systems and applications to support new initiatives, and local conditions; and

the availability, terms and use of capital, the impact of regulatory and competitive developments on capital outlays, the ability to achieve cost savings and realize productivity improvements, and the success of the Company's investments, ventures and alliances.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of filing hereof with the U.S. Securities and Exchange Commission. Millicom International Cellular S.A. undertakes no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in Millicom International Cellular S.A.'s business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context otherwise requires, the term the "Company" refers only to Millicom International Cellular S.A., a stock corporation organized under the laws of the Grand-Duchy of Luxembourg, and the term the "Group", "Millicom", "we", "us" or "our" refers to Millicom

and its subsidiaries, joint ventures and affiliates. Unless the context otherwise requires, when used herein with respect to a licensed area, "persons", "population" and "pops" are interchangeable and refer to the aggregate number of persons located in such licensed area and "equity pops" refers to the number of

such persons in a licensed area multiplied by the Company's ownership interest in the licenses for such licensed area. The term "Proportional Subscribers" refers to the Company's share of the total subscribers in an operation. Persons, population and pops data for 2004 and 2003 have been extracted from the "CIA-The World Factbook" for 2004 for countries where the license area covers the entire country and have been estimated by management for countries where the license area is less than the entire country. In addition, information on the countries in which Millicom operates has been extracted from the "CIA-The World Factbook" for 2004 with updates, where appropriate, from the U.S. Department of State's website. Market share data and penetration rates have been obtained from EMC, a cellular market research firm. EMC is aware of, and has consented to being named, in this report, which consent may be incorporated by reference into registration statements we file with the SEC. Unless otherwise indicated, subscriber figures represent the total number of cellular subscribers of operations in which we have an ownership interest.

Unless otherwise indicated, all financial data and discussions thereon in this annual report are based upon financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and subscriber figures represent the total number of cellular subscribers of systems in which the Company has an ownership interest. In this report, references to "dollars" or "\$" are to U.S. dollars, references to "SEK" are to Swedish krona and references to "Euro" or "€" are to the Euro.

As a foreign private issuer, the Company is exempt from the proxy rules of Section 14 under the Securities Act of 1934, as amended (the "Exchange Act"), and the reporting requirements of Section 16 under the Exchange Act.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

### ITEM 3. KEY INFORMATION

#### Selected Financial Information

The Company reports under International Financial Reporting Standards ("IFRS"). The following tables present comparative information under IFRS and U.S. generally accepted accounting principles ("U.S. GAAP"). For a reconciliation of our IFRS profit (loss) and balance sheet to U.S. GAAP and a discussion of the principal differences between the accounting policies applied by us under IFRS and U.S. GAAP, please see Note 32 of the "Notes to the Consolidated Financial Statements".

The following table sets forth summary financial data of the Company as of and for the years ended December 31, 2004, 2003, 2002, 2001 and 2000. The data are based upon the Company's audited consolidated balance sheets as of December 31, 2004, 2003, 2002, 2001 and 2000 and audited consolidated statements of profit and loss for the years then ended. The following information is qualified in its entirety by, and should be read in conjunction with, such statements.

Unless otherwise indicated all financial data and discussions therein in this document are based upon financial statements prepared in accordance with IFRS.

#### SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

	Year Ended December 31,										
	2004		2003		2002		2001		2000		
	(in thousands of U.S. dollars, except per share data)										
Amounts in accordance with IFRS											
Profit and Loss Statement Data:											
Revenues		921,466		647,104		605,186		644,570		570,840	
Operating profit/(loss)		248,882		162,515		122,313		92,786		(53,378)	
Gain (loss) from investment securities		(126,957)		246,760		(299,963)		(15,931)		665,262	
Profit/(loss) for the period from continuing operations(1)		68,241		178,823		(507,162)		(138,020)		408,468	
Profit/(loss) for the period		68,241		178,823		(385,143)		(138,053)		355,388	
Basic (loss) earnings from continuing operations per common share	\$	0.82	\$	2.74	\$	(7.77)	\$	(2.12)	\$	6.28	
Basic (loss) earnings per common share	\$	0.82	\$	2.74	\$	(5.90)	\$	(2.12)	\$	5.46	
Weighted average number of shares in basic computation (in thousands)(2)		83,335		65,312		65,272		65,256		65,093	
Diluted (loss) earnings from continuing operations per common share	\$	0.77	\$	2.26	\$	(7.77)	\$	(2.12)	\$	6.19	
Diluted (loss) earnings per common share	\$	0.77	\$	2.26	\$	(5.90)	\$	(2.12)	\$	5.38	



Weighted average number of shares in diluted computation (in thousands)(2)	90,312	80,500	65,272	65,256	66,001
Dividends per share	–	–	–	–	–
	3				

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As of December 31,				
2004	2003	2002	2001	2000
(in thousands of U.S. dollars)				

#### Amounts in accordance with IFRS:

##### Balance Sheet Data:

Property, plant and equipment, net	575,649	489,543	458,933	512,236	577,501
Licenses, net	277,705	30,889	84,471	164,541	201,124
Investment in securities	377,749	519,728	321,926	676,829	816,211
Investments in associates(3)	2,220	1,340	1,013	52,858	–
Cash, cash equivalents and time deposits	413,991	181,709	86,651	77,720	125,868
Total assets	2,044,829	1,522,949	1,203,119	1,870,930	2,112,228
Current liabilities	502,543	399,351	375,862	469,191	651,034
Non-current liabilities	1,259,892	1,182,207	1,098,783	1,322,583	1,112,331
Minority interest	43,351	26,571	23,733	10,262	7,672
Shareholders' equity/(deficit)	239,043	(85,180)	(295,259)	68,894	341,191

##### As of and for Year Ended December 31,

2004	2003	2002	2001	2000
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#### Operating Data (unaudited)(4):

##### Total Subscribers

Prepaid	6,739,559	4,956,257	3,448,269	2,525,279	1,863,243
Postpaid	973,642	734,285	554,642	604,327	709,439

##### Monthly churn (%) (5):

Prepaid	4.4	4.7	4.2	4.0	5.4
Postpaid	1.7	2.1	3.2	4.1	3.1

##### Year Ended December 31,

2004(7)	2003	2002	2001	2000
---------	------	------	------	------

(in thousands of U.S. dollars, except per share data)

#### Amounts in accordance with U.S. GAAP(6):

##### Profit and Loss Statement Data:

Revenues	1,009,777	462,106	363,919	344,102	297,702
Cost of sales	(509,048)	(197,841)	(159,436)	(141,610)	(207,755)
Operating expenses	(249,095)	(162,410)	(191,440)	(157,851)	(176,183)
Operating profit (loss)	251,634	101,855	13,043	79,688	(88,991)
Gain (loss) from investment in securities	201	5,597	(299,963)	(15,931)	706,837
Profit (loss) for the period from continuing operations (before cumulative effect of change in accounting principle)(1)	185,271	(51,939)	(335,831)	(121,574)	420,817
Profit (loss) for the period	188,871	(50,357)	(322,563)	(172,176)	370,573
Basic (loss) earnings from continuing operations per common share	\$ 2.26	\$ (0.79)	\$ (5.00)	\$ (2.64)	\$ 5.69
Basic (loss) earnings per common share	\$ 2.27	\$ (0.77)	\$ (4.94)	\$ (2.64)	\$ 5.69
Weighted average number of shares in basic computation (in thousands)(2)	83,335	65,312	65,272	65,256	65,093
Diluted (loss) earnings from continuing operations per common share	\$ 2.08	\$ (0.79)	\$ (5.00)	\$ (2.64)	\$ 5.61
Diluted (loss) earnings per common share	\$ 2.09	\$ (0.77)	\$ (4.94)	\$ (2.64)	\$ 5.61
Weighted average number of shares in diluted computation (in thousands)(2)	90,312	65,312	65,272	65,256	66,001



As of December 31,				
2004(7)	2003	2002	2001	2000
(in thousands of U.S. dollars)				

**Amounts in accordance with U.S. GAAP(6):**

Balance Sheet Data:

Property, plant and equipment, net	619,786	359,365	286,372	376,676	399,585
Licenses, net	276,357	14,435	20,407	137,910	183,221
Investment in securities	375,638	520,496	269,047	623,007	816,456
Investments in associates	44,646	96,727	175,007	187,114	77,130
Total assets	2,237,561	1,508,987	1,133,721	1,727,079	1,902,814
Current liabilities	575,713	374,421	270,910	339,311	485,706
Non-current liabilities	1,296,870	1,173,075	1,033,743	1,302,088	1,137,637
Minority interest	103,598	27,870	23,733	10,262	7,672
Shareholders' equity/(deficit)	260,070	(68,201)	(286,575)	72,778	271,799

- (1) Under IFRS, MIC Systems, disposed of in 2002 and FORA Telecom BV, disposed of in 2001 have been reported as discontinued operations in our consolidated financial statements. Under U.S. GAAP, MIC Systems, Liberty Broadband Limited (formerly Tele2 (UK)), Celcaribe S.A. Millicom Peru S.A. and Millicom Argentina S.A. have been reported as discontinued operations. A more complete description of discontinued operations is contained in Notes 21, 23 and 32 of the "Notes to the Consolidated Financial Statements".
- (2) The average number of shares disclosed above has been adjusted for each year presented to reflect the reverse share split effected in February 2003, whereby three existing shares with a par value of \$2 each were exchanged for one new share with a par value of \$6 each; and the share split effected in February 2004, whereby one existing share with a par value of \$6 each was exchanged for four new shares with a par value of \$1.50 each. The average number of shares, which is calculated on a weighted average basis, does not include shares held by us that have no voting, dividend or other rights (654,852 shares at December 31, 2004).
- (3) Investments in associates under IFRS represented as at December 31, 2004, 2003 and 2002, Navega S.A and as at December 31, 2001, Millicom's operation in El Salvador. See "Operating and Financial Review and Prospects-Results of Operations".
- (4) Operating data excludes divested operations.
- (5) We calculate churn rates by dividing the number of subscribers whose service is disconnected during a period, whether voluntarily or involuntarily (such as when a subscriber fails to pay a bill), by the average number of subscribers during the period. We believe that we apply conservative policies in calculating customer totals and the related churn rates. However, these policies may result in different churn rates and market share figures than if we had used criteria employed by some other operators in calculating customer churn and market share.
- (6) As described in Note 32 of the "Notes to the Consolidated Financial Statements", under U.S. GAAP, we should consolidate our investment in Great Universal, Inc. and Modern Holdings Incorporated. The U.S. GAAP Selected Financial Data in the table above for the years ended December 31, 2004, 2003 and 2002 for the profit and loss data and as of December 31, 2004 and 2003 for the balance sheet data include the effect of their consolidation but for 2001 and 2000 do not include the effect of their consolidation. See Note 32 of the "Notes to the Consolidated Financial Statements".

- (7) Millicom adopted FIN 46 (Financial Interpretation No. 46, Consolidation of Variable Interest Entities) on March 31, 2004 for entities created prior to February 1, 2003, and as a result, began consolidating its interest in the following Variable Interest Entities: (i) Cam GSM Company Limited, a joint venture of Millicom in Cambodia, (ii) Royal Telecam International Limited, a joint venture of Millicom in Cambodia, (iii) Millicom Argentina S.A. (sold in September 2004), a former joint venture of Millicom in Argentina and (iv) Comunicaciones Celulares S.A., a joint venture of Millicom in Guatemala. The impact of adopting FIN 46 is disclosed in Note 32 to the Consolidated Financial Statements.

## RISK FACTORS

### Risks Relating to our Business

#### General Risks

*This report contains "forward looking" statements that involve risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward looking statements. Factors that might cause such differences include those discussed below and elsewhere in this report. See "Forward Looking Statements".*

*The agreement under which we conduct our operations in Vietnam, which is our largest contributor to revenue, expires on May 18, 2005, unless extended. We do not exercise management control over Mobifone.*

In 1994, Comvik International Vietnam AB ("CIV"), in which we have an 80% interest, Investment AB Kinnevik, formerly Industriförvaltnings AB Kinnevik ("Kinnevik"), our largest shareholder, and Vietnam Mobile Services Co. ("VMS"), a Vietnamese government-owned company, entered into a Business Cooperation Contract ("BCC") to operate a nationwide cellular GSM system in Vietnam known as Mobifone. The BCC provides for, among other things, 50/50 revenue sharing between CIV and VMS.

Our operation in Vietnam, CIV, which derives all of its revenue from the BCC, is our largest contributor to revenue. The BCC has a 10-year term from May 19, 1995. Upon its expiration on May 18, 2005, legal title to all equipment of the Vietnam operation contributed by us will be transferred to VMS at a price of \$1.

At the present time an extension of the BCC in its current form is not acceptable to the Vietnamese government. The Vietnamese government, in connection with steps by Vietnam to become a member of the World Trade Organization, is under pressure to rapidly take steps to liberalize its economy. The Vietnamese government has announced its intention to initiate an equitization of VMS, our current partner under the BCC. We have been informed that steps will have to be taken, such as the winding down of the BCC and the valuation of the assets, before the equitization process starts. Once VMS is equitized, the Vietnamese government may open the equity to new investors including foreign strategic investors. The opening of the telecommunications sector to foreign investors may require changes in the Vietnamese legislation. We have received no assurances from VMS or the Vietnamese government that CIV will be a strategic partner in the VMS equitization process. However, in two Memoranda of Understanding dated February 4 and November 8, 2004, respectively, VMS and CIV agreed to continue their relation in the form of a joint stock company ("JSC").

CIV and VMS/VNPT (the Vietnam Posts and Telecommunications Corporation) are in the process of negotiating an agreement that would allow CIV to become a shareholder of VMS once it is equitized. We have received no assurance from the Vietnamese government as to when or whether such an agreement will be signed, nor do we know which terms and conditions such an agreement may be subject to. We may not be successful in achieving any interim solution that allows us to continue our business in Vietnam. For now, our telecommunications services in Vietnam will cease and we will receive no further revenues whatsoever from Vietnam from May 19, 2005.

CIV's revenues for the year ended December 31, 2004 were \$162,807,000 (18% of Millicom's total revenues) and operating profit was \$68,183,000 (27% of Millicom's total operating profit). All equipment recorded in CIV's financial statements will be fully amortized by May 18, 2005, at which date legal title to all equipment will be transferred to VMS at a price of \$1. As of December 31, 2004 CIV still needs to disburse to VMS, before the end of the revenue sharing agreement on May 18, 2005, approximately \$27,639,000 of outstanding capital commitments under the BCC. An impairment charge of \$16.6 million has been recorded in the first quarter of 2005 in the consolidated Group accounts to account for the write-down of property, plant and equipment in Vietnam as the BCC expires on

May 18. The Vietnam asset impairment is due to a late approval of investments required under the BCC which prevented CIV from generating revenues on these fixed assets.

In addition, under the terms of the BCC, Millicom does not exercise management control over Mobifone. Certain management decisions, such as the decision to make certain capital expenditures and other business policy decisions, are made by an advisory committee comprised of eight members, four of which are appointed by CIV and four by VMS. Although the advisory committee has in the past made decisions based on our recommendations, the advisory committee may not make decisions based on our recommendations in the future and it may not act in a manner consistent with our interests. In addition, CIV and VMS must agree in writing to amend the BCC, sell all or substantially all of the business assets or terminate any business license. If a dispute occurs between us and VMS and we are unable to resolve it satisfactory, our results of operations and financial condition could be adversely affected.

*We have a history of losses and may incur losses in the future and we may be unable to achieve profitability.*

We had a net profit in the years ended December 31, 2004 and 2003. However, excluding the effects of gains (losses) and valuation movement on investment in securities, fair value result on financial instruments and other financial income we would have made net losses of \$80,107,000 and \$119,569,000, respectively, in the years ended December 31, 2003 and 2002. See "Operating and Financial Review and Prospects."

We may not achieve or maintain profitability in the future, nor can we be sure to always have sufficient resources to make payments on our indebtedness. Our future performance will depend, in particular, on our ability to generate demand and revenue for our services, to maintain existing subscribers and customers and to attract new subscribers and customers. Costs in connection with the acquisition and renewal of licenses and the costs incurred in order to commence and develop operations of cellular and related telecommunications systems will also affect revenues and profitability.

*Our substantial debt may have an adverse effect on our financial health and prevent us from fulfilling our obligations under such debt.*

We have a substantial amount of debt and significant debt service obligations. As of December 31, 2004, Millicom's total consolidated indebtedness was \$1,114,413,000. Of this amount, \$901,635,000 represented the Company and Millicom Telecommunications S.A. indebtedness and \$212,778,000 represented our consolidated share of the indebtedness of our subsidiaries and joint ventures. As of December 31, 2004, \$365,006,000 of our indebtedness related to Millicom Telecommunications S.A.'s 5% Mandatory Exchangeable Notes, which are mandatorily exchangeable into Tele2 AB B shares and in respect of which no repayment in cash of principal is required. See "Operating and Financial Review and Prospects—Description of Certain Indebtedness Millicom Telecommunications S.A.'s 5% Mandatory Exchangeable Notes".

Corporate guarantees, cash deposits and standby letters of credit (issued at our request and guaranteed by us) secured \$59,327,000 of the indebtedness of our ventures at December 31, 2004. 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 \$514,027,000.

We experienced liquidity concerns resulting from our substantial indebtedness in 2002. Although we implemented a restructuring program that improved our liquidity by reducing our overall indebtedness and debt service obligations, we may incur additional indebtedness that may result in liquidity concerns or other negative consequences in the future. In January 2005 we issued 4% convertible bonds due 2010 for a total principal amount of \$200 million.

Our level of indebtedness may have important negative consequences for us. For example, it may:

require us to dedicate a large portion of our cash flow from operations to fund payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

increase our vulnerability to adverse general economic or industry conditions, the termination of licenses or the loss of significant operations such as our operations in Vietnam;

limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;

limit our ability to raise additional debt or equity capital in the future or increase the cost of such funding;

restrict us from making strategic acquisitions or exploiting business opportunities;

make it more difficult for us to satisfy our obligations with respect to the notes and our other debt; and

place us at a competitive disadvantage compared to our competitors who have less debt.

*Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate cash required to service our debt.*

Our ability to meet our debt service obligations or to refinance our debt depends on our future operating and financial performance and ability to generate cash. This will be affected by our ability to implement successfully our business strategy, as well as general economic, financial, competitive, regulatory, technical and other factors beyond our control. If we cannot generate sufficient cash to meet our debt service obligations or fund our other business needs, we may, among other things, need to refinance all or a portion of our debt, obtain additional financing, delay capital expenditures or sell assets. We may not be able to generate sufficient cash through any of the above. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially favorable terms or at all, we may not be able to satisfy our obligations with respect to our debt. If this were to occur, holders of the relevant debt would be able to declare the full amount of such debt due and payable. Our assets may not be sufficient to pay such amounts.

*Restrictions imposed by the indentures governing our outstanding debt contain covenants that limit our ability to take certain actions.*

The indentures governing our outstanding debt contain various covenants that limit our flexibility in operating our business. For example, these agreements restrict the ability of Millicom and certain of its subsidiaries to, among other things:

borrow money;

pay dividends or make other distributions;



create liens;

make asset dispositions;

make loans or investments;

issue or sell share capital of our subsidiaries;

issue certain guarantees;

enter into transactions with affiliates; and

merge, consolidate, or sell, lease or transfer all or substantially all of our assets.

The operating and financial restrictions and covenants in these agreements may adversely affect our ability to finance our future operations or capital needs, engage in other business activities that may be in our interest or to react to adverse market developments.

*Our ability to receive funds from, and to exercise management control over, our ventures is usually dependent upon the consent of other participants who are not under our control. Disagreements or unfavorable terms in the agreements governing our joint ventures may adversely affect our operations.*

We participate in 17 cellular ventures in 16 countries. Our participation in each venture differs from market to market and we do not have a controlling interest in some operations. Often our ability to withdraw funds, including dividends, from our participation in, and to exercise management control over, ventures and investments therein depends on receiving the consent of the other participants. While the precise terms of the arrangements vary, our operations may be negatively affected if disagreements develop with venture partners, as has occurred in the past. For example, in 2001, a dispute arose with local shareholders in our operation in El Salvador which resulted in our management determining that we could no longer exercise significant influence in the operation and thus that it was not appropriate to consolidate the operation during the period of the dispute. Although this dispute was resolved in September 2003 and El Salvador is now consolidated with our operations, other disagreements may occur in the future that could adversely affect our operations. See "Notes to the Consolidated Financial Statements—Summary of Consolidation and Accounting Policies".

We rely upon dividends and other payments from our ventures to generate the funds necessary to meet our obligations, including our obligations under the notes. The ventures are legally distinct from us and have no obligation to pay amounts due with respect to our obligations or to make funds available for such payments. Our ventures do not guarantee our obligations. The ability of our ventures to make such payments to us will be subject to, among other things, the availability of funds, the agreement of the venture partner(s), the terms of each venture's indebtedness and local law. The majority of our operations have entered into financing facilities, most of which are guaranteed by us, many of which restrict and some of which prohibit the payment of dividends by those ventures to us. Claims of creditors of our ventures, including trade creditors, will generally have priority over our claims and the holders of our indebtedness. At December 31, 2004, the consolidated debt and other financing of our ventures was \$606,729,000 (including trade creditors, non-current and current license payables).

*Certain insiders own significant amounts of our shares, giving them a substantial amount of management control.*

As of December 31, 2004, Kinnevik and subsidiaries, together with senior executives and directors, the Stenbeck estate, and certain Stenbeck Trusts, beneficially owned nearly 38% of the outstanding shares of our common stock. The Stenbeck estate is under administration in both Luxembourg and Sweden. Five members out of our eight person Board of Directors are independent. We expect the number of board members to increase to nine in May 2005, with the addition of a new independent board member. Kinnevik and its affiliates, having a significant ownership in Millicom, can exercise control over our management and affairs, including:

the composition of our Board of Directors and through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;

the determination and allocation of business opportunities that may be suitable for us;

any determinations with respect to mergers, acquisitions or other business combinations;

our acquisition or disposition of assets;

our financing; and

the incurrence of debt, pledge of our assets and the use of proceeds from any debt financing.

We may not always agree with the decisions of Kinnevik and the other insiders and their decisions may not always be consistent with your interests.

*A substantial number of our directors and our President & Chief Executive Officer hold positions with Kinnevik or Tele2 AB, which may present conflicts that may be resolved in a manner unfavorable to us.*

Four Millicom board members hold or held executive positions with Kinnevik, our largest shareholder. Cristina Stenbeck, a member of our Board of Directors, is also Vice Chairwoman of the Board of Directors of Kinnevik and subsidiaries. In addition, a number of our directors and executive officers hold executive positions with or are directors of Tele2 AB, a pan-European telecommunications company offering fixed and mobile telephony, as well as data network and Internet services. Tele2 AB is controlled by Kinnevik and certain of its affiliates. These positions may create, or appear to create, potential conflicts of interest when these directors and executive officers are faced with decisions that may have different implications for us, Kinnevik or Tele2 AB. There is a risk that these conflicts may ultimately be resolved in a manner unfavorable to us. Moreover, a portion of certain of our directors' and officers' time is spent on matters relating to Kinnevik and Tele2 AB, and not us. While it is the current expectation that we have the initial right to consider any telecommunications opportunity that arises in our markets, there is no contractual arrangement to this effect among us and Kinnevik or Tele2 AB and we may in fact not receive such right of first refusal over any such business opportunity.

*Due to our insufficient equity, there is a risk our shareholders may vote not to continue our business.*

Under Luxembourg company law, when companies have accumulated losses equal to or greater than half of the amount of their subscribed share capital, an extraordinary shareholders' meeting must be convened for the shareholders to determine whether to dissolve the company or to continue the business. At such shareholders' meeting a quorum of 50% of the shareholders must be present or represented to consider a resolution to liquidate or continue the company. If there is no quorum at the initial shareholders' meeting, a second meeting must be convened at which no quorum is required.

As of December 31, 2003, we had accumulated losses on a parent company stand-alone basis, equal to more than half our subscribed share capital. At the shareholders' meeting held on July 7, 2004, the shareholders voted to continue our operations.

As of December 31, 2004, we had accumulated losses on a parent company stand-alone basis, equal to more than half our subscribed share capital. At the shareholders' meeting to be held on May 31, 2005 the shareholders will vote on whether to continue or dissolve our operations.

We may again accumulate losses equal to or greater than half the amount of our subscribed share capital in future years. In such event, our shareholders must take a vote on whether to dissolve the Company, in which case a liquidator is appointed, or whether to continue the business despite these losses. The liquidator may be any person appointed by our shareholders, including our board of directors. If no liquidator is appointed, the Company's board of directors is deemed to be the liquidator. The liquidator is responsible for liquidating the Company in the best possible way financially. The realization of assets may be done by disposing of our entire business, individual ventures, groups of ventures, licenses or any other type of liquidation intended to realize the best value for our shareholders. The realization of assets may, in the case of dissolution and liquidation, not achieve as high a value as may be obtained if such assets are divested in the normal course of business.

*U.S. investors will be subject to special tax rules if we are considered to be a passive foreign investment company.*

Special U.S. tax rules apply to U.S. taxpayers who own stock in a "Passive Foreign Investment Company," or "PFIC", or in a "Foreign Personal Holding Company," or "FPHC". We may be or may become, a PFIC. Our status under the PFIC rules for each year depends upon our income and assets

from time to time during that year. Our substantial investments in associated companies' securities and other "passive assets" result in a risk that we are a PFIC or may become a PFIC in the future. If we are determined to be a PFIC, then shareholders who are U.S. persons under U.S. tax laws will be subject to specific unfavorable tax rules.

*The ability of investors to enforce civil liabilities under U.S. securities laws may be limited.*

We are incorporated under the laws of the Grand Duchy of Luxembourg (European Union). Most of our directors and executive officers are residents of Luxembourg or other countries other than the United States. Most or a substantial portion of our assets and those of most of our directors and executive officers are located outside the United States. As a result, it may not be possible for investors in our securities to effect service of process within the United States upon such persons or upon us or to enforce in U.S. courts or outside the United States judgments obtained against such persons outside the United States. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon the civil liability provisions of the U.S. securities laws. We have been advised by our Luxembourg counsel, Allen & Overy, that the United States and Luxembourg do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, is not enforceable in Luxembourg. However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Luxembourg, the party may submit the final judgment that has been rendered in the United States to a Luxembourg court for the purpose of recognition by such court and enforcement in Luxembourg. A judgment by a federal or state court of the United States against us will be regarded by a Luxembourg court only as evidence of the outcome of the dispute to which such judgment relates, and a Luxembourg court may choose to rehear the dispute.

### ***Risks Related to our Cellular Telephone Operations***

*We face intense competition in the cellular telephone operator market.*

The cellular systems in which we have interests face competition from landline telephone networks and other cellular telephone operators in the markets in which they operate.

Other cellular telephone operators will obtain licenses in some markets, including markets where we do not have a licensed cellular telephone competitor. Moreover, additional licenses may be awarded in markets where we already face competition from other communications technologies that are being or may be developed and/or perfected in the future. In some of our markets, there may be more cellular telephone operators than the market is likely to sustain. In addition, in some of our markets, our competitors may have more advanced technology than us, such as GSM, or a greater coverage area than us, or both. The cellular telephone operators in each market compete for customers principally on the basis of services offered, quality of service, coverage area and price. Many of our competitors have substantially greater capital resources than we do. Price competition is significant.

In addition, new competitors, such as cable companies that are able to leverage their existing networks, may enter the telecommunications markets. The level of competition is influenced by the continuous and swift technological advances that characterize the industry, the regulatory developments that affect competition and alliances between market participants.

There is also a risk that, as new competitors enter our prepaid markets and price competition intensifies, our prepaid customers may be more likely to move from one cellular telephone operator to another than our postpaid customers. This may result in our revenue declining, which would adversely affect our results of operations.

Any failure by us to compete effectively or aggressive competitive behavior by our competitors in pricing their services or acquiring new customers will have a material adverse effect on our revenues and overall results of operations.

*The cellular telephone operations market is heavily regulated.*

The licensing, construction, ownership and operation of cellular telephone networks, and the grant, maintenance and renewal of cellular telephone licenses, as well as radio frequency allocations and interconnection arrangements, are regulated by national, state, regional or local governmental authorities in the markets that we service. In addition, such matters and certain other aspects of cellular telephone operations, including rates charged to customers and the resale of cellular telephone services, may be subject to public utility regulation in the relevant market. For example, in Vietnam, the regulator determines tariffs charged to customers. Our ventures also typically require governmental permits, including permits for the construction and operation of cell sites. We do not believe that compliance with these permit requirements generally has a material adverse effect on our company. However, we may become subject to claims or regulatory actions relating to any past or future noncompliance with permit requirements.

A number of regulators have, or are expected to, reduce interconnection rates. Because we are often one of the larger suppliers of cellular telephone services in the countries we service, this may have the effect of reducing our revenue. Changes in the regulation of our activities, such as increased or decreased regulation affecting prices, the terms of interconnect arrangements with landline telephone networks or mobile operators or requirements for increased capital investments, may materially adversely affect us.

*We face substantial competition for obtaining, funding and renewing telephone licenses.*

We may pursue new license opportunities within existing financial guidelines and group-wide synergy potential. In each market we face competition for licenses from major international telecommunications entities as well as from local competitors. While we typically try not to pay large amounts for cellular licenses, the competition for the granting or renewal of licenses is increasingly intense worldwide. As such, we anticipate that we will have to pay substantial license fees in certain markets, as well as meet specified network build out requirements. We may not be successful in obtaining or renewing any cellular telephone licenses, or if licenses are awarded that they can be obtained on terms acceptable to us. If we obtain further licenses or renew existing ones, we may need to seek future funding through additional borrowings or equity offerings, and we may not obtain such funding on satisfactory terms or at all.

*Our markets are characterized by rapid technological change, which could render our products obsolete and cause us to make substantial expenditures to replace our products.*

Fixed network and other system equipment used in the cellular telephone industry has a limited life and must be replaced frequently due to damage or as a result of ordinary wear and tear. In addition, as new technologies develop, such as if our competitors were to introduce third generation systems, equipment may need to be replaced or upgraded or a cellular telephone network may need to be rebuilt in whole or in part, at substantial cost, to remain competitive. For example, we are building out networks based on the GSM standard in Paraguay, Bolivia, Guatemala, Honduras, El Salvador and Pakistan due to increased competition from other GSM providers in those markets as well as the anticipated benefits of migrating to the GSM standard, including lower repair and maintenance costs, greater availability of handsets and increased functionality. Unforeseeable technological developments may render our services unpopular with customers or obsolete. In addition, to the extent our equipment or systems become obsolete, we may be required to recognize an impairment charge to such assets, which may have a material adverse effect on our results of operations.

*If we cannot successfully develop and manage our networks, we will be unable to expand our subscriber base and will lose market share and revenues.*

Our ability to increase our subscriber base depends upon the success of the expansion and management of our networks. The build-out of our networks is subject to risks and uncertainties which may delay the introduction of service in some areas and increase the cost of network construction. To the extent we fail to expand our network on a timely basis, we may experience difficulty in expanding our subscriber base. In addition, our ability to manage our ventures successfully is dependent upon our ability to implement sufficient operational resources and infrastructure. The failure or breakdown of key components of our infrastructure, including our billing systems, may have a material negative effect on our profits and results of operations.

*Rapid growth and expansion may cause us difficulty in obtaining adequate managerial and operational resources and restrict our ability to expand successfully our operations.*

Our future operating results depend, in significant part, upon the continued contributions of a number of our key senior management and technical personnel. Management of growth will require, among other things:

stringent control of network build-out and other costs;

continued development of financial and management controls and information technology systems;

implementation of adequate internal controls;

hiring and training of new personnel; and

coordination among our logistical, technical, accounting, legal and finance personnel.

Our success will also depend, in part, on our ability to continue to attract, retain and motivate qualified personnel. Competition for personnel in our markets is intense due to the relatively small number of qualified individuals. Our failure to manage successfully our growth and personnel needs may have a material negative effect on our business and results of operations.

*In some of our markets our licenses and frequency allocations are subject to ongoing review, which may result in modification or early termination of licenses.*

The continued existence and terms of cellular telephone licenses and frequency allocations are subject to ongoing review and, in some cases, to modification or early termination. For instance, the BCC in Vietnam expires on May 18, 2005. See the above risk factor titled: *"The agreement under which we conduct our operations in Vietnam, which is our largest contributor to revenue, expires on May 18, 2005, unless extended. We do not exercise management control over Mobifone."*

In Pakistan, Pakcom is planning to rollout a CDMA network during 2005. Pakcom reached agreement with the Pakistan Telecommunications Authority (PTA) for the renewal of its license for 15 years. The license is for CDMA Services. Pakcom is still in the process of negotiating the allocation of the spectrum with the PTA.

While we would not usually expect any of our cellular telephone companies to be required to cease operations at the end of the term of its business arrangement, license or permit, we cannot be sure that business arrangements or licenses will be renewed on equivalent or satisfactory economic terms, or at all. Upon termination, the license and the assets of the cellular telephone company associated with the

system may revert to the government or local telecommunications agency, in some cases without any, or adequate, compensatory payment being made to us.

*Our operations are dependent upon interconnection agreements and transmission and leased lines.*

Our ventures are dependent upon access to networks not controlled by us, primarily networks controlled by current or former government owned public telecommunications operators or competing cellular telephone operators. Our financial results are affected by the cost of transmission and leased lines to effect interconnection. We may not be able to maintain interconnection or leased line agreements on appropriate terms to maintain or grow our business. A number of regulators have, or are expected to, reduce interconnection rates. Because we are often one of the larger suppliers of telephone services in the countries we service, this could have the effect of reducing our revenue.

*The current concerns about the actual or perceived health risks relating to electromagnetic and radio frequency emissions, as well as the attendant publicity or possible resultant litigation, may have a negative effect on the market price of our shares, our financial position or the results of our operations.*

Media and other reports have suggested that electromagnetic and radio frequency emissions from mobile telephone handsets and base stations may cause health problems, including cancer. There is also some concern that these emissions may interfere with the operation of certain electronic equipment, including automobile braking and steering systems. The actual or perceived risks relating to mobile communications devices and base stations, or press reports about these risks, would adversely affect us, including by reducing our subscriber growth rate, subscriber base or average use per subscriber, and would have a negative impact on the market price of our shares. In addition, if a link between electromagnetic or radio frequency emissions and adverse health concerns is demonstrated, government authorities would increase regulation of mobile handsets and base stations as a result of these health concerns or cellular telephone operators, including us, would be held liable for costs or damages associated with these concerns. Any such regulation or litigation would also have a materially adverse effect on our financial position and results of operations.

### **Country Risks**

*We operate in some markets that are politically unstable, and this instability may negatively affect our operations.*

We have interests in cellular telephone licenses in 16 countries around the world and are subject to government regulation in each market. Most of the countries in which we operate are emerging economies and are, therefore, subject to greater political and economic risks than more developed countries. The governments of the 16 countries differ widely with respect to structure, constitution and stability, and most of these countries lack mature legal and regulatory systems. Many of the countries in which we operate are suffering from political instability and civil unrest and these problems may continue or arise in the future. As a result, we face the risk that our networks may be disrupted in particular countries, which would adversely affect our revenues or results of operations.

In order for our ventures to provide cellular services, they must receive a license from the government of the countries in which they operate. Our ability to operate is dependent on the licenses granted by the government of each country. These licenses generally allow our ventures to operate for a number of years after which they are subject to renewal. To the extent that our operations depend on governmental approval and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in the relevant market. For instance, if a government decides to revoke a license to operate in the middle of its term, our recourse is to the legal system of the relevant country. Because the legal and court systems of most countries in which we operate are not highly developed and are subject to political influence and other inherent uncertainties, it is often difficult to obtain a fair or unbiased resolution. Recent political and economic changes have resulted in political and regulatory uncertainty in certain countries in which we operate, as further described in "Business." There is also a risk that a country in which we operate may arbitrarily decide to expropriate the assets of one of our ventures.



In addition, most of the countries in which our ventures operate have volatile economies. Downturns in the economies of any particular country, or of a region generally, may adversely affect demand for our services, which would result in reduced revenues.

*We have operations in Iran and may exercise an option to acquire equity in an Iranian company, which may subject us to political and regulatory risk.*

In 2004, we entered into agreements with Rafsanjan Industrial Complex, an Iranian company, under which we manage a cellular telephone network in Iran developed and owned by the Rafsanjan Industrial Complex.

We are a non-U.S. company and our management contract in Iran is not subject to the Iran-Libya Sanctions Act of 1996, extended until August 2007, nor to other U.S. restrictions on U.S. or non-U.S. companies operating in Iran. We do not employ U.S. citizens or permanent U.S. residents in our Iranian business.

There have recently been discussions between the Government of Iran and representatives of the international community about Iran's nuclear research program and its potential application to nuclear weapons and it is possible that U.S. sanctions may be amended or further extended or new regulations may be introduced by the U.S., the European Union, the United Nations or by any other country or international organization, with the effect of prohibiting or adversely affecting our operations in Iran. Our only contractual obligation in Iran is to provide management services to the Rafsanjan Industrial Complex, at a cost which is not expected to be material. We also have an option to acquire up to 47% of the equity in the Iranian company yet to be formed that will operate the network. If we were to exercise our option, we might acquire a substantial investment in Iran. Any amendment or new regulation prohibiting or adversely affecting our operations in Iran or a dispute with the representatives of the Rafsanjan Industrial Complex or the Iranian government may have a material effect on our results of operations.

*We operate in a number of jurisdictions, any of which may effect changes to its laws that may unfavorably affect our financial status.*

We hold interests in our cellular telephone companies through our subsidiaries and affiliates in various jurisdictions in and outside Luxembourg. The laws or administrative practices relating to taxation (including the current position as to withholding taxes on dividends from the ventures, and tax concessions in certain operations), foreign exchange or otherwise in these jurisdictions are periodically subject to change. For instance, countries may impose restrictions or other restraints on the conversion of local currencies and the transfer of funds or dividends by our venture companies to our holding company in Luxembourg. For example, according to the rules of the State Bank of Pakistan there is a restriction on the amount of royalty fees that a Pakistani company can be remit abroad. The limit is 5% of annual net sales excluding sales tax. Any such change could have a material adverse effect on our financial affairs and on our ability to receive funds from the venture.

*Most of our ventures receive revenue denominated in the local currency of the venture's country of operation. In the future, any of the countries in which these ventures are located may impose foreign exchange controls, which may restrict our ability to receive funds from the ventures.*

Most of the ventures in which we have interests receive substantially all of their revenues in the currency of the markets in which they operate. We derive substantially all of our revenues through funds generated by the ventures and, therefore, we rely on the ability of the ventures to transfer funds to us. Although there are foreign exchange controls in some of the countries in which our cellular telephone companies operate which could significantly restrict the ability of these ventures to pay interest and dividends and repay loans by exporting cash, instruments of credit or securities in foreign currencies, we have experienced no material difficulty in obtaining permits to allow our ventures to export cash to us. This may not, however, always be the case. In addition, in some countries, it may be

difficult to convert large amounts of local currency into foreign currency because of limited foreign exchange markets. The practical effect of this are time delays in accumulating significant amounts of foreign currency. In addition, a few countries in which we operate restrict the export of cash in local currencies. Additional foreign exchange control restrictions may be introduced in the future and our ability to receive funds from the ventures will subsequently be restricted.

*Currency fluctuations or devaluations would reduce the amount of profit and assets that we are able to report.*

Exchange rates for currencies of the countries in which our ventures operate fluctuate in relation to the U.S. dollar and such fluctuations may have a material adverse effect on our earnings, assets or cash flows when translating local currency into U.S. dollars. For each venture that reports in a currency other than the U.S. dollar, a decrease in the value of that currency against the U.S. dollar reduces our profits while also reducing both our assets and liabilities. A relevant example is the devaluation of the guarani in Paraguay in 2002 which had an adverse effect on the results of our operations. For the year ended December 31, 2004 and 2003, we had exchange losses of \$26,796,000 and \$45,602,000, respectively, mainly due to the exchange loss on the 5% Mandatory Exchangeable Notes denominated in Swedish Krona. For the years ended December 31, 2002, we had an exchange loss of \$23,483,000. To the extent that our operations retain earnings or distribute dividends in local currencies, the amount of U.S. dollars we receive is affected by fluctuations of exchange rates for such currencies against the U.S. dollar. We generally do not hedge our foreign currency exposure.

*Our ability to reduce our foreign currency exposure may be limited by restrictions on borrowings in local currency.*

At the venture level, we seek to reduce our foreign exchange exposure arising from transactions through a policy of matching, as far as possible, assets and liabilities. Our ability to reduce our foreign currency exchange exposure may be limited by restrictions on borrowings in local currency. For example, under the State Bank of Pakistan regulations in Pakistan, foreign controlled services sector companies, such as our Pakistan operations, are required to meet certain financial ratios to engage in long-term borrowing in the local market. Pakcom either meets or has obtained waivers with respect to these ratios. Our other Pakistani operation, Paktel, does not meet all applicable ratios but has received a waiver from the State Bank of Pakistan in respect of its borrowings for the initial phases of its GSM network build-out. If we fail to meet the applicable requirements or obtain a waiver, we expect to finance the later stages of the build-out from cash flows from operations, short-term borrowing or other financing arrangements. In the future Pakcom or Paktel may not meet the required ratios or obtain waivers. Also, we may not be able to fund Pakcom's or Paktel's capital expenditure needs or reduce our foreign exchange exposure by borrowing in local currency.

*Potential inflation in local economies may affect some customers' ability to pay for our ventures' services and it may also adversely affect the stability of the cellular operations market in those areas.*

Our operations are dependent on the economies of the markets in which we operate. These markets are in countries with economies in various stages of development or structural reform, most of which are subject to rapid fluctuations in terms of consumer prices, employment levels, gross domestic product and interest and foreign exchange rates. These fluctuations affect the ability of customers to pay for our ventures' services. In addition, these fluctuations affect the ability of the market to support our existing cellular telephone interests or any growth in cellular telephone operations. Also, periods of significant inflation in any of our markets adversely affects our costs and financial condition.

*We are subject to foreign taxes in the countries in which we operate, which reduces amounts we receive from our operating ventures or may increase our tax costs.*

Many of the foreign countries in which we operate have increasingly turned to new taxes, as well as aggressive interpretations of current taxes, as a method of increasing revenue. In addition, the

provisions of new tax laws may prohibit us from passing these taxes on to our local customers. Consequently, these taxes may reduce the amount of earnings that we can generate from our services.

Our Pakcom venture has received tax assessment notices from Pakistan's tax authorities relating to, among other things, the disallowance of realized foreign exchange losses and interests in the amount of approximately \$12 million. Pakcom has filed petitions disputing these assessments. In some cases, Pakcom has received unfavorable decisions, which it has successfully appealed and is in the process of working towards a close of the issues permanently by using the local alternative dispute resolution system, a new legislative route for closing historical tax issues. Our Paktel venture closed the assessment of prior years on the same basis as obtained for the tax year 2000 providing carried forward tax losses available to tax assessments after fiscal year 2000. If these or other tax assessments are ultimately resolved in a manner unfavorable to us, this will reduce amounts we receive from our Pakistani operating ventures or increase our tax costs.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **The Company**

We are a global mobile telecommunications operator with a portfolio of investments in the world's emerging markets over which we typically exercise management and voting control. Our strategy of being a low cost provider, focused on prepaid services using mass market distribution methods, has enabled us to continue to pursue high growth while delivering operating profitability.

We have interests in 17 cellular systems in 16 countries, focusing on emerging markets in Asia, Latin America and Africa. As of December 31, 2004, the countries where we had cellular operations had a combined population of approximately 408.8 million. This means that 408.8 million is the number of people who were covered by our licenses (representing the number of people who could receive cellular services under the term of the license if the network covered the entire population). Our total subscribers reached 7.7 million (5.3 million on a proportional basis) as of December 31, 2004.

As we established an early presence in most of the markets in which we operate, we have been able in most cases to secure our licenses at low cost. Historically, we have been successful in renewing our maturing licenses, generally on terms similar to the original licenses, although we may not be able to do so in the future. We operate primarily with prominent local business partners through companies over which we typically exercise management control.

Our markets are attractive for cellular services due to low wireline and cellular penetration. Usage of cellular services has historically been low in the countries in which we operate due to poor or insufficient infrastructure, the high costs of such services and low levels of disposable income. We believe there is a significant opportunity for further growth of cellular services in our markets due to the reduction in the cost of providing cellular services to the consumer, and due to rising disposable personal income levels. For example, Vietnam and Pakistan, our two largest markets, had cellular penetration rates of only approximately 5.3% and 4.5%, respectively, as of December 31, 2004.

We have achieved strong growth and operating profitability. For the year ended December 31, 2004, we generated revenues of \$921.5 million and had net profit of \$68.2 million, or a net profit of \$46.4 million if gains and valuation movement on investment securities, fair value result on financial instruments and gain realized on debt exchange are excluded.

As at December 31, 2004, we had total consolidated debt and other financing of \$1,114,413,000.

The continued improvement in the operating and financial performance of our ventures has allowed us to continue to upstream excess cash to Millicom. During the year ended December 31 2002, we upstreamed \$96.7 million, of which \$8.8 million was from divested operations. For the year ended December 31, 2003, we upstreamed \$129.3 million from 14 of the 15 countries in which we then operated. For the year ended December 31, 2004, we upstreamed \$171.0 million from 13 of the 15 countries in which we operate. This upstreamed cash will be used to service our corporate debt obligations and for further investment.

## **Recent Developments**

The following data reflects our results of operations for the year ended December 31, 2004. This should be read in conjunction with the audited consolidated financial statements included elsewhere in this report.

### ***Summary of Highlights***

Millicom's listing on *Stockholmsbörsen* (OMX Stockholm or the Swedish Stock Exchange) became effective on March 30, 2004.

On April 26, 2004 Millicom redeemed the outstanding amount of 2% Senior Convertible PIK Notes Due 2006 (the "2% Notes") in an aggregate principal amount of approximately \$160,000 for redemption in cash in accordance with the terms of the Indenture covering the 2% Notes. An amount of \$63,371,000 out of the total \$63,531,000 2% Notes was converted into Millicom shares before April 26, 2004.

On September 22, 2004, Millicom sold its 65% holding in its high speed wireless data joint venture in Argentina, Millicom Argentina S.A., to the local partner.

On October 25, 2004 Millicom's subsidiary in Pakistan, Paktel, signed agreements with the Pakistan Regulator to switch on its GSM network with immediate effect and to renew its license for 15 years from October 23, 2004 for an amount of \$291,000,000 payable over 13 years.

On November 8, 2004 Millicom was awarded a 10 year license to operate a GSM 900 wireless telephony network in the Republic of Chad.

On November 8, 2004 Millicom's subsidiary Comvik International Vietnam AB, signed a second memorandum of understanding (MOU) with Vietnam Mobile Telephone Services Company. The MOU expresses the wish of both parties to continue working together in the future in the form of a joint stock company incorporated under the law on enterprises in Vietnam.

On December 1, 2004, Telemovil, Millicom's subsidiary in El Salvador, extended its cellular license in El Salvador. This license, initially up for renewal in 2006, has now been extended and will expire in 2018.

On December 2, 2004, Millicom's subsidiary in Ghana, Mobitel, signed a new GSM license agreement replacing the previous agreement. The new license has a term of 15 years and is renewable at expiration for a 10 year period. The payments for the license fee amount to \$22,500,000 payable over six years resulting in an initial license value recorded at the present value of cash outflows of \$18,537,000.

In December 2004, the Company raised \$209,160,000 in equity through the offering of 9 million shares in the form of Ordinary Shares or Swedish Depository Receipts (SDRs). The shares were issued on December 7, 2004 at a price of \$23.24 and the net proceeds were \$203,620,000.

In January 2005 Millicom issued an aggregate principal amount of \$200 million of 4% Convertible Bonds due 2010 convertible into Ordinary Shares and/or SDRs. The net proceeds of the offering were paid on January 7, 2005 in the amount of \$195,875,000.

On March 2, 2005 the registration statement for the exchange offer of our 10% Senior Notes was declared effective and the special interest charge ceased to accrue.

On April 18, 2005 Pakcom reached agreement with the Pakistan Telecommunications Authority (PTA) for the renewal of its license for 15 years. The license is for CDMA services. The payment terms are similar to those agreed in 2004 by Paktel, Millicom's other venture in Pakistan. Pakcom will pay a license fee of \$291 million, of which 50% is payable over the first three years and the remaining 50% over 10 years. Pakcom is still in negotiations with the PTA regarding the allocation of the spectrum.

### ***Subscriber Growth***

As of December 31, 2004, our worldwide total cellular subscriber base increased to 7,713,201 cellular subscribers from 5,690,542 cellular subscribers as of December 31, 2003. Total cellular subscribers increased by 36% in the year ended December 31, 2004. Particularly significant percentage increases were recorded in Ghana, Senegal, Mauritius, Sri Lanka and Vietnam.

Our proportional cellular subscriber base increased to 5,332,259 cellular subscribers as at December 31, 2004 from 4,025,577 cellular subscribers as of December 31, 2003. Our proportional cellular subscribers increased by 32% in the year ended December 31, 2004. Of the 5,332,259 proportional cellular subscribers reported as of December 31, 2004, 4,756,113, or 89%, were prepaid customers.

### ***Financial Results for the year ended December 31, 2004***

Total revenues for the year ended December 31, 2004 were \$921.5 million, an increase from \$647.1 million for the year ended December 31, 2003. Revenues for the year ended December 31, 2004 for South East Asia, Central America and Africa increased by 32%, 84% and 77% to \$231.8 million, \$305.0 million and \$150.0 million, respectively, relative to year ended December 31, 2003.

Total cellular minutes increased by 31% in the year ended December 31, 2004 compared with 2003.

In respect of our holding in Tele2 AB shares, we recorded a valuation loss of \$127.2 million in the year ended December 31, 2004 compared to a gain of \$246.8 million in the year ended December 31, 2003, reflecting the movement in the market price of the Tele2 AB shares. In addition, we recorded a gain of \$148.7 million, reflecting the change in the fair value of the embedded derivative on the 5% Mandatory Exchangeable Notes in 2004, compared to a loss of \$84.6 million for the period from August 7, 2003 to December 31, 2003.

### ***Change in Accounting Policy***

In 2003 we changed our accounting treatment in respect of the 5% Mandatory Exchangeable Notes and the underlying Tele2 AB shares. As a result, we mark to market on a quarterly basis the value of our holding of Tele2 AB shares, with any resulting changes in fair value of the shares being recorded in the profit and loss statement under the heading "Gain (loss) and valuation movement on investment in securities". We also account for the embedded derivative relating to the corresponding revaluation of the 5% Mandatory Exchangeable Notes and to the potential 30% premium if the price of the Tele2 AB shares is above the reference price in accordance with the terms of the 5% Mandatory Exchangeable Notes, at fair value with any subsequent change in its fair value being recorded in the profit and loss statement. The net impact on our results reflects an economic hedge against a decrease in the price of Tele2 AB shares below the reference price and the gain that we would realize at

maturity if the price of the Tele2 AB shares is above the reference price as provided in the 5% Mandatory Exchangeable Notes. Changes in the market value of the Tele2 AB shares will affect our net income (loss) on a quarterly basis until the 5% Mandatory Exchangeable Notes mature in August 2006.

Under U.S. GAAP, the fair value adjustment of our investment in Tele 2 AB shares is recorded in the revaluation reserve as a separate component of shareholders' equity. Accordingly, under U.S. GAAP, we reclassified the unrealized loss resulting from the change in fair value of the Tele 2 AB shares of \$127,158,000 and the gain of \$241,163,000 for the years ended December 31, 2004 and 2003 respectively to shareholders' equity.

### ***Completion of Senior Notes Offering***

On November 24, 2003, Millicom completed its offering of \$550 million in aggregate principal amount of 10% Senior Notes due 2013 (the "10% Senior Notes"). Millicom used a portion of the net proceeds from such offering to repay in full \$395 million of the 11% Senior Notes and used another part of such net proceeds to repay in full \$137 million of the 13.5% Senior Subordinated Notes due 2006 (the "13.5% Senior Subordinated Notes") on December 29, 2003. See "—Results of Tender Offer and Consent Solicitations" below and "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Overview".

### **History**

Millicom International Cellular S.A., a stock corporation (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg, was formed in December 1990 by two of the cellular industry's early pioneers, Kinnevik and Millicom Incorporated, a Delaware corporation ("Mil-Inc"), to hold certain of their cellular interests in 12 countries.

Mil-Inc was formed in 1979 to pursue opportunities in the nascent American mobile telephone industry. In 1982, the U.S. Federal Communications Commission (the "FCC") awarded Mil-Inc one of only three developmental licenses for cellular telephony. Also in 1982, Mil-Inc founded, with Racal Electronics Plc, a joint venture that evolved into Vodafone Group Plc, now the largest cellular telephone operator in the world. The interest in this joint venture was sold to finance Mil-Inc's further development. Mil-Inc, after initially pursuing U.S. cellular opportunities, decided in 1992 to concentrate on non-U.S. markets, in which licenses generally could be obtained, at that time, without the cost of acquiring interests in licenses awarded by the FCC lottery system.

From early 1983, Kinnevik and Mil-Inc began jointly applying for cellular telephone licenses internationally. The first successful joint application resulted in the award of a cellular license for Hong Kong in 1983. In 1990, after approximately seven years of co-operation, 12 successful license bids and the establishment of cellular operations in a number of markets, Kinnevik and Mil-Inc agreed to form Millicom for the purposes of managing the development of these operations and pursuing new licenses. At the date of formation, the Millicom common stock was owned approximately 49% by Kinnevik and 46% by Mil-Inc. Millicom subsequently disposed of the joint venture in Hong Kong to fund its continuing development.

Millicom's principal executive offices are located at 75 Route de Longwy, L-8080 Bertrange, Grand-Duchy of Luxembourg, European Union. Our telephone number is: +352 27 759 101. Millicom's web site is: <http://www.millicom.com>.

### **The Merger**

In 1993, it was determined that a merger of Mil-Inc and Millicom could accomplish goals sought by both companies.



Under an Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), dated September 21, 1993, as amended, between Millicom, MIC-USA Inc (MIC-USA"), a wholly owned subsidiary of Millicom, and Mil-Inc, Mil-Inc was merged (the "Merger") with and into MIC-USA on December 31, 1993 (the "Effective Date"). The outstanding shares of Mil-Inc common stock were exchanged for approximately 46.5% of the Millicom common stock (exclusive of the additional merger shares described below). Kinnevik held the remaining 53.5% of Millicom common stock.

Immediately prior to the Merger, substantially all of the operations other than the cellular telephone operations and certain related liabilities of Mil-Inc were transferred to Great Universal, Inc., a Delaware corporation at that date an indirect wholly owned subsidiary of Millicom ("Great Universal"). Both Millicom and Great Universal have separate management and transactions between Great Universal, both MIC and our affiliates are subject to certain restrictions as described below.

Following the Effective Date, Millicom contributed to the capital of Great Universal an aggregate of 211,864 shares of Millicom common stock, par value \$2 each, calculated at the time of issuance as having an aggregate value of \$5,027,000.

### ***Merger Warrants***

Immediately prior to the Merger, Mil-Inc stockholders received from MIC-USA warrants to purchase from MIC-USA 100% of the shares (3,867,287 shares) of Great Universal common stock for a purchase price equal to \$1.30 per share (the "Warrants"). The purpose of the warrant distribution was to afford Mil-Inc stockholders the opportunity to participate in the future prospects of such non-cellular businesses and to reduce or eliminate Millicom's interests in such businesses in the event the Warrants are exercised. The Warrants are not transferable except in certain limited circumstances. They became exercisable on January 1, 1999 and expire six months after an initial public offering of Great Universal on a public market in the United States, unless extended under certain circumstances (the "Warrant Expiration Date"). At present, no registration statement relating to the shares of Great Universal (and, subsequent to the reorganization described below, Modern Holdings) underlying the Warrants has been filed with the U.S. Securities and Exchange Commission.

On December 31, 1993, Great Universal and Millicom entered into an agreement under which, as an inducement to Millicom to contribute its common stock to Great Universal, as described above, Great Universal granted to MIC-USA an option (the "Put Option") to require Great Universal to purchase from MIC-USA the shares of Great Universal common stock not acquired by exercise of the Warrants. Additionally, Millicom granted to Great Universal the option (the "Call Option") to purchase from MIC-USA the Great Universal common stock. The purchase price for the Great Universal common stock upon exercise of either the Put Option or the Call Option is an amount equal to the difference between the aggregate exercise price of such Warrants (\$5,027,473) and the actual aggregate exercise price of the Warrants exercised prior to their expiration. The Put Option and the Call Option are exercisable as to all of the remaining Great Universal common stock for a period of 20 days commencing on the day following the Warrant Expiration Date. Great Universal may pay the purchase price for the Great Universal, Inc. common stock by delivering to MIC-USA that number of the shares of Millicom common stock which in the aggregate equals the purchase price, based upon the last sale price of Millicom common stock as quoted on the NASDAQ National Market on the Warrant Expiration Date.

If all of the Warrants are exercised or all of the shares of Great Universal common stock not acquired by exercise of the Warrants are repurchased by Great Universal, will have no further ownership interest in Great Universal. Certain of Millicom's management and shareholders who became holders of Warrants as part of the Merger may become shareholders of Great Universal or may participate in the management of Great Universal if they choose to exercise the Warrants. From December 30, 1993, the date on which the Warrants were issued, until the Warrant Expiration Date,

Millicom may not consummate a transaction with Great Universal or any of its affiliates that involves the sum of \$1,000,000 or more unless Millicom and Great Universal shall have received an opinion from an independent investment bank that such transaction is on terms at least as favorable as those that can be obtained from an unrelated third party. In the event that the Warrants are not exercised prior to the Warrant Expiration Date, management will evaluate other plans to dispose of Great Universal upon the expiration of the Warrants.

In June 1999, Great Universal effected a reorganization of itself and its subsidiaries. In this reorganization, Great Universal was merged into Great Universal LLC and operations were spun-off into two separate businesses: Great Universal, Inc. and Modern Holdings Incorporated (formerly known as XSource Corporation). Great Universal, Inc. holds the subsidiaries in teleservices, television and media and specialized electronics industries, and Modern Holdings Incorporated holds the subsidiaries in the integrated network services industries.

Great Universal LLC holds 100% of common shares in Great Universal, Inc. and 52.7% of common shares in Modern Holdings Incorporated. Millicom also has a direct ownership of 11.6% of the share capital of Modern Holdings. These investments are recorded as non-current available-for-sale securities. As of December 31, 2004 and 2003 the shares in Modern Holdings were not listed on a public market. The carrying value of this investment is \$2,950,000 as of December 31, 2004 (2003: \$2,950,000). In 2004, Millicom's management determined that no change in fair value should be recorded. Under IFRS, Millicom does not consolidate its investment in Great Universal and Modern Holdings since the restrictions on their ability to distribute dividends is considered a severe long-term restriction that significantly impairs their ability to transfer funds to Millicom. Further, due to the existence of warrants enabling the warrant holders to obtain control over Great Universal and Modern Holdings, Millicom considers that it does not control these companies. The warrants expire six months after the date of a registration statement of Great Universal is declared effective by the U.S. Securities and Exchange Commission.

Following this reorganization and under the Warrant agreement, each warrant entitles the holder to purchase one share of Great Universal, Inc. common stock and 2.0721 shares of Modern Holdings Incorporated common stock at an exercise price of \$1.30 per Warrant, subject to adjustment. Following this reorganization, the rights and obligations of MIC-USA arising from the Warrant agreement and the Put Option and the Call Option agreement referred to above were assigned to Great Universal LLC. Under the terms of the Merger, Great Universal LLC continues to indemnify Millicom against certain contingent liabilities.

On December 31, 1999, MIC-USA transferred its 100% ownership and related rights in Great Universal, Inc. to Great Universal LLC 1999 Trust for a consideration of \$5,027,000, corresponding to the net book value of Millicom's investment in Great Universal, Inc. This amount is recorded in "Investment in other securities". During 2002, Millicom recorded an impairment loss for 100% of this asset due to uncertainty concerning its recoverability.

Great Universal, Inc. is contingently liable for any liabilities in respect of the representations and warranties made by Mil-Inc to Millicom under the Merger Agreement and in respect of any United States federal, state and local income tax in excess of \$13,544,000 which may be payable by Mil-Inc for 1993 and prior years.

## **The Cellular Telephone Industry**

### ***Cellular Telephone Industry Overview***

*Cellular Telephone Technology.* Cellular telephone systems are capable of providing high quality, high capacity voice and data communications to and from vehicle-mounted and hand-held



radiotelephones. Cellular telephone systems are capable of handling thousands of calls at any one time and providing service to hundreds of thousands of subscribers in any particular area.

Cellular telephone technology is based upon the division of a given geographical area into a number of cells and the simultaneous use of radio channels in non-contiguous cells within the system. Each cell contains a low power transmitter/receiver at a base station that communicates by radio signal with cellular telephones in that cell. Each cell is connected by wire-line or microwave to a central switching point or Mobile Switching Center ("switch") that controls the routing of calls and which, in turn, is connected to the public switched telephone network. It is the switch mobility software that allows cellular telephone users to move freely from cell to cell while continuing their calls through a process called hand-off.

Cellular telephone systems generally offer subscribers the features offered by the most up-to-date wire-line telephone services. Cellular telephone systems are interconnected with both the wire-line telephone network and other cellular networks. As a result, subscribers can receive and originate local, long-distance and international calls from their cellular telephones. Cellular telephone system operators therefore require an interconnect arrangement with the local wire-line telephone companies and the terms of such arrangements are material to the economic viability of the system.

A cellular telephone system's capacity can be increased in various ways. Increasing demand may be satisfied, in the first instance, by adding available channel capacity to cells through the addition of extra transmitters. When all available channels are used, further growth can be accomplished through a process known as cell splitting. Cell splitting entails dividing a single cell into a number of smaller cells, through the construction of additional base stations, thereby allowing for greater channel reuse and hence increasing the number of calls that can be handled in a given area.

The Company uses analog and digital technologies that are widely used throughout the world. GSM is a digital standard for cellular telephone systems that the majority of European Union countries have adopted as a common standard. Commercial launch in several European countries commenced in 1992. GSM offers increased value-added services and enables transmissions to be made in encrypted form so that conversations cannot easily be intercepted. The GSM system allows subscribers to use their cellular telephones in any country where the GSM system has been adopted, providing increased mobility and flexibility. GSM systems are being used in over 200 countries and territories. Advanced Mobile Phone System (AMPS) is the analog standard developed for and used in North America. Total Access Communication System (TACS), or Time Division Multiple Access (TDMA), is the system most widely used in North and South America and works by dividing a radio frequency into time slots and then allocating slots to multiple calls. TDMA is one of the world's most widely deployed digital wireless systems and it provides a common evolutionary path for analog AMPS networks. In the United States, a number of digital standards have been developed and are being deployed in existing AMPS networks. One of them is CDMA or Code Division Multiple Access, which is also popular in South America and in the Asia-Pacific region. An enhanced version of CDMA is the technology used for the third generation mobile systems (3G) called WCDMA and CDMA2000 1X. What all 3G networks have in common is that they support high data bandwidth applications such as full motion video, video conferencing and full Internet access to mobile devices. Universal Mobile Telecommunications System (UMTS) is a type of 3G mobile technology which allows, besides voice and data, the delivery of audio and video to wireless devices anywhere through fixed, wireless and satellite systems. We launched the first 3G/UMTS in Africa in our operation in Mauritius on November 29, 2004.

*Operating Characteristics.* The cellular telephone industry is typically characterized by high fixed costs and low variable costs. Until technological limitations on total capacity are approached, additional cellular telephone system capacity can usually be added in increments that closely match demand and at less than the proportionate cost of the initial capacity. The industry has also seen declining equipment prices in real terms. Once revenues exceed fixed costs, incremental revenues are expected to

yield a high incremental operating profit, giving cellular telephone system operators an incentive to stimulate and satisfy demand for service in the market. The amount of profit, if any, under such circumstances is dependent on, among other things, prices and variable marketing costs, which, in turn, are affected by the amount and extent of competition. As competition increases in markets, prices have fallen with the result that revenues and operating profits increase at a lower rate than subscriber growth. In addition, as penetration rates increase there is a tendency for a higher proportion of new subscribers to use prepaid cards. Prepaid subscribers tend to have lower usage than credit subscribers, however, the operating margin is generally higher than with credit subscribers as the risk of bad debt is eliminated and there is no subsidizing of handsets.

### ***Development of the Cellular Telephone Industry***

*Cellular Telephony in Developed Countries.* The first cellular telephone networks were introduced in Scandinavia in the early 1980s and experienced modest growth for the first few years. Over the last 10 years, however, cellular telephony has grown rapidly. All developed countries now have cellular telephone service and levels of penetration increased substantially in these countries. Worldwide subscribers at December 31, 2004 were nearly 1.4 billion according to EMC.

Given the rapid growth of cellular telephone subscribers in developed countries and high levels of penetration, the industry is increasingly introducing new technology that will expand capacity and improve service, including the introduction of digital cellular telephone networks and the ability to access the Internet from handsets. In industrialized nations, cellular operators are in the process of introducing "third generation" mobile technology that will permit always-on faster access to the Internet and voice and data transmissions.

*Cellular Telephony in Developing Countries.* While the cellular telephone industry is well-established in the developed world, the cellular telephone industry in the developing world is still in its infancy. Millicom believes that cellular telephony will continue to grow rapidly in developing countries because of the poor quality of the existing wire-line service, the unsatisfied demand for basic telephone service and the increasing demand from users who want the convenience of cellular telephones. In some countries the cellular telephone network provides significantly improved access to the local and international wire-line network compared with the existing wire-line service. In addition, developing countries are expected to benefit both from better technology and lower equipment costs than those at comparable stages of market development in developed countries. Penetration rates (the number of subscribers per 100 people) are substantially lower in developing countries than in developed countries. Consequently, Millicom believes that its markets offer high growth potential.

For developing countries, cellular telephone networks can represent a faster and more cost-effective method of expanding telecommunications infrastructure than traditional wire-line networks. Wire-line networks involve extensive outside infrastructure in the form of buried or overhead cable networks, while cellular telephone networks require only minimal construction activities.

### **Financing of the Company's Business**

The Company finances its operations at both the operational and parent entity level.

#### ***Operational Level Financing***

We finance our operations on a project-by-project basis at both the operational and parent entity level. Once a license is awarded, we make an initial investment in the form of equity and, in some cases, debt. The local operation typically is granted between six and 12 months to build out its initial cellular telephone network. During this initial phase, we frequently supplement our investment with financing provided by equipment suppliers for the purchase of network equipment. Generally, such financing covers a period of 18 months to three years and is often guaranteed by Millicom. We seek to

refinance the vendor financing with longer-term borrowing from commercial banks and international agencies. Where practicable, we endeavor to obtain financing in local currencies and without recourse to Millicom. However, Millicom may guarantee such project financing for an initial period until certain performance targets are achieved. We intend to continue to pursue a project-by-project approach to fund our systems. If additional investment is required from us, we seek, whenever possible, to fund such investment through shareholder loans from Millicom. As our local operations become more established and local financial markets become more developed, we are increasingly able to finance at the operational level in the local currency on a non-recourse basis. As of December 31, 2004, approximately 55% of our debt at the operational level was denominated in local currency.

### ***Millicom Level Entity Financing***

Millicom's total consolidated indebtedness as of December 31, 2004 was \$1,114,413,000 and our total consolidated net indebtedness (representing total consolidated indebtedness after deduction of cash, cash equivalents and short-term time deposits) was \$700,422,000. In 2003, we implemented a restructuring plan to improve our liquidity by reducing our debt service obligations. This plan substantially decreased our annual interest payments. Our annual interest expense for the years ended December 31, 2004 and 2003 was \$109 million and \$135 million, respectively. Our interest obligations of \$15,490,000 per annum in respect of the 5% Mandatory Exchangeable Notes have been secured by U.S. Treasury STRIPS, which we purchased with a portion of the net proceeds from the offering of the 5% Mandatory Exchangeable Notes, and which will be settled by their sale. In addition, of our consolidated indebtedness, \$365,006,000 relates to the 5% Mandatory Exchangeable Notes, which are mandatorily exchangeable into Tele2 AB B shares in respect of which no repayment in cash is required.

### **Management Structure**

We operate in five major geographic regions of the world: South East Asia, South Asia, Central America, South America and Africa.

We manage these regional operations through five cluster managers, each of whom typically is responsible for two to four countries and acts as company manager in the largest country in the region. Each cluster manager reports directly to Millicom's chief operating officer. We believe this structure allows us to maintain a high degree of coordination, cooperation and cross sharing of information among the various cluster managers while providing a degree of regional responsibility that ensures quick and effective decision making.

We operate primarily through operations with prominent local business partners, over which we typically exercise management control. While the day-to-day management of our operations is the responsibility of the local management, which implements the decision of Millicom's board of directors, the general manager and other key personnel of our operations are appointed by us or in co-operation with our partners. In addition, members of senior management of our operations also typically receive Millicom stock options as part of their compensation and incentive packages.

### **Operational and Financial Control**

We actively manage our operations through:

recruitment and selection of local management, which is subject to the approval of Millicom's board of directors;

development of business plans in conjunction with local management;

approval of all significant capital expenditures by the board of directors of Millicom;

development of the cellular telephone network design and expansion plan with local technical management;

standardized weekly and monthly reporting and review and an annual budgeting process; and

supervision and support by our internal auditors and marketing, administrative, and legal personnel.

We seek to obtain a controlling ownership of our operations. In most cases, where we hold less than a majority of the shares in an operation, we manage our operations through stockholders' agreements or similar arrangements, special rights with respect to board representation or special voting rights. Such provisions provide us with the means to approve or disapprove actions proposed by our partners. In some cases the stockholders' agreements contain buyout, arbitration or other procedures that can be invoked in the event of a fundamental disagreement among us and our partners.

### **License Acquisition**

In obtaining our licenses, we generally establish a venture with one or more prominent local business partners to apply for a cellular telephone license. We consider that the selection of the local partner, the technical and financial expertise that we provide to the license application and our successful track record as an international provider of cellular telephone services are the critical factors for a successful license bid. In most cases, the local partner is instrumental in obtaining the license and maintaining contact with the local telecommunications agency, post office, or relevant government department or otherwise plays an important role in ensuring the success of the venture company. In some markets, after the award of the license, the local partner continues to take an active interest in the management of the venture.

Licenses are generally sought through a competitive application process in which the license is awarded on the merits of the application. We generally avoid cash auctions for cellular telephone licenses. In some cases, our ventures pay royalties on revenue or income to governments, and all of our cellular ventures pay interconnection fees to other telecommunications operators during the license period. Although the pursuit of cellular telephone licenses is usually highly competitive, our venture companies have been successful in obtaining licenses in preference to other ventures whose participants have often included major international telecommunications companies.

### **Sales, Marketing and Distribution**

We pursue low-cost, innovative and high-impact approaches to sales, marketing and distribution. In the majority of our markets, we typically are not involved in the distribution of handsets and typically do not provide handset subsidies for our prepaid subscribers. As a result, we have low overall subscriber acquisition costs. In addition, we are focused on strengthening our distribution footprint and expanding our mass market customer reach by distributing prepaid cards through mass market outlets such as local convenience stores, newspaper stands and street vendors. In some of our markets, we are also developing a number of non-traditional distribution channels such as freelance distributors, including students and housewives. We believe that our focus on branded prepaid services and non-traditional distribution channels will enable us to expand our market share and reduce our operating costs. We focus our advertising on cost-effective promotions.

### **Insurance**

The Company believes that it holds sufficient levels of insurance for the prudent operation of its business.

## Operations and Investments

Descriptions of the operations of each of the ventures and other related businesses are provided below. The description of our cellular operations has been divided into the following sub-sections:

South East Asia, Millicom's cellular operations in South East Asia, comprising Cambodia, Lao People's Democratic Republic and Vietnam.

South Asia, Millicom's cellular operations in South Asia, comprising Pakistan and Sri Lanka.

Central America, Millicom's cellular operations in Central America, comprising El Salvador, Guatemala and Honduras.

South America, Millicom's cellular operations in South America, comprising Bolivia and Paraguay.

Africa, Millicom's cellular operations in Africa, comprising Ghana, Mauritius, Senegal, Sierra Leone, Tanzania and Chad.

As of December 31, 2004, we also had an investment in high-speed cellular data services in Peru which we are planning to exit.

The table below sets forth our revenue by geographical segment, in percent of total revenues, for the periods indicated.

	2004	2003	2002
South East Asia	25%	27%	23%
South Asia	12%	16%	14%
Central America	34%	27%	28%
South America	12%	15%	18%
Africa	16%	13%	10%
Other	1%	2%	2%
MIC Systems (divested in 2002)	0%	0%	5%
Total	100%	100%	100%

In the country descriptions of our ventures in "Business", we have indicated any instances where the operations of our ventures, or our relationships with our venture partners, are different from the description given under the captions above.

## Cellular Operations

The following table shows certain information for each of Millicom's cellular operations as at December 31, 2004.

Market	Ownership	Method of Consolidation(1)	Start-Up Date	Technology(2)	Estimated Population of Area under License(3)	Cellular Penetration as of December 31, 2004(4)	Total Number of Subscribers as of December 31, 2004(5)
	(percent)				(millions)	(percent)	(000's)
<b>South East Asia</b>							
Cambodia	58.4%	JV	1997	GSM	13.4	6.4	609.7
Lao People's Democratic Republic(6)	74.1%	S	2003	GSM	6.1	5.1	40.3
Vietnam(7)	80.0%	S	1995	GSM	82.7	5.3	1,849.4
<b>South Asia</b>							
Pakistan-Pakcom	61.3%	S	1990	TDMA/AMPS	–	4.5	534.7
Pakistan-Paktel	98.9%	S	1990	GSM/TDMA/AMPS	159.2	4.5	481.6
Sri Lanka	99.9%	S	1989	GSM/TACS	19.9	10.9	442.5
<b>Central America</b>							
El Salvador(8)	100.0%	S	1993	GSM/TDMA/AMPS	6.6	23.5	534.3
Guatemala	55.0%	JV	1990	GSM/TDMA/AMPS	14.3	18.8	672.7
Honduras	50.0%	JV	1996	GSM/CDMA/AMPS	6.8	9.3	490.0
<b>South America</b>							
Bolivia	100.0%	S	1991	TDMA/AMPS	8.7	20.3	414.1
Paraguay	96.0%	S	1992	GSM/TDMA/AMPS	6.2	18.0	523.3
<b>Africa</b>							
Ghana	100.0%	S	1992	GSM/TACS	20.8	6.5	277.0
Mauritius	50.0%	JV	1989	GSM/3G	1.2	41.0	167.6
Senegal	75.0%	S	1999	GSM	10.9	9.9	339.9
Sierra Leone	70.0%	S	2001	GSM	5.9	2.7	33.4
Tanzania(9)	84.4%	S	1994	GSM/TACS	36.6	4.8	302.7
Chad	87.5%	S	2004	GSM	9.5	–	–
<b>Grand Total</b>					<b>408.8</b>		<b>7,713.2</b>

(1) JV = Joint Ventures. Under IFRS, joint ventures are consolidated using the proportional method of accounting which combines our assets, liabilities, income and expenses with our share of the assets, liabilities, income and expenses of the joint ventures in which we have an interest.

S = Subsidiary. Subsidiaries are entities over which we have control and are fully consolidated.

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, as well as the influence it has over the day-to-day operations of the above ventures.

- (2) "AMPS", Advanced Mobile Phone System, is the analogue standard developed for and used in North America and is used widely throughout the world. "TACS", Total Access Communications System, was initially the standard for the United Kingdom and is now used primarily in other Commonwealth countries. "GSM", Global System for Mobile Communications, is the digital standard developed for Europe. "TDMA", Time Division Multiple Access, is the system most widely used in North and South America.
- (3) Source: U.S. Central Intelligence Agency's "The World Factbook" for 2004.
- (4) Based on number of subscribers. Source: EMC, an independent cellular market research firm.
- (5) Proportional subscribers at December 31, 2004 were 5,332,259.

- (6) Following the restructuring of Millicom's holding in December 2004, Millicom now has a 74.1% equity interest in Millicom Lao Co., Ltd. Mr. Zaman, a private business partner and senior executive vice-president of Millicom now owns 3.9% of Millicom Lao.
- (7) Comvik International (Vietnam) AB ("CIV"), a 80% owned subsidiary of the Company, and Vietnam Mobile Services Co. ("VMS") have entered into a revenue sharing agreement to operate a national cellular GSM system in Vietnam ("Mobifone"). This revenue sharing agreement, which had a 10-year term starting on May 19, 1995, provides that CIV would receive 50% of Mobifone's net revenues for the first five years of operation and 40% thereafter. In October 2000, the revenue sharing agreement was amended to state that Millicom will continue to receive 50% of net revenue in years six through ten of the contract agreement. CIV contracted to invest a total of \$209.5 million, of which approximately \$181.9 million has been disbursed as of December 31, 2004. At the time the revenue sharing agreement expires, on May 18, 2005, legal title to all equipment will be transferred to VMS at a price of \$1. This equipment is depreciated accordingly. Proportional subscribers for our operation in Vietnam are computed based on 50% of our 80% owned subsidiary, CIV, or 40% of Mobifone's total subscribers. See "-Asia-Vietnam". See also, in the Risk Factors section, the following risk factor: *"The agreement under which we conduct our operations in Vietnam, which is our largest contributor to revenue, expires on May 18, 2005, unless extended. We do not exercise management control over Mobifone."*
- (8) Prior to May 1, 2001, our results of operations included our proportionate share of the results of our operation in El Salvador. As of May 1, 2001, due to a dispute with our local partners, we determined that proportional consolidation was no longer appropriate and we began accounting for our operation in El Salvador under the equity method. As of December 31, 2002, because the dispute was still ongoing and we no longer believed we exercised significant control over our operation in El Salvador, we recorded our investment as non-current asset in the balance sheet under the caption "Investment in other securities". In September 2003, we resolved this dispute and were deemed to have a 100% economic ownership in our operation in El Salvador, while Millicom's legal ownership interest remained at 70% until the final settlement date of the acquisition price. Accordingly, we accounted for our operation in El Salvador as a 100% owned subsidiary since September 15, 2003. In December 2004, Millicom settled the full acquisition price, bringing its legal ownership interest in the operation in El Salvador to 100%. See "Operating and Financial Review and Prospects-Results of Operations".
- (9) On February 5, 2004 Millicom acquired 25% of Millicom Tanzania Ltd from the Government of Tanzania, bringing its ownership to 84%. From this date onwards, Millicom consolidates Millicom Tanzania Ltd as a subsidiary.



The following table shows certain estimated information regarding Millicom's competitive position in each of its markets as at December 31, 2004. This information was compiled based on data provided by EMC, an independent cellular market research firm. Millicom believes that the reliability of this information is uncertain. Millicom operates in developing economies and markets and believes that the data research available in these countries is not always accurate, consistent or verifiable. Therefore, the information provided here is given in ranges of market share to indicate the relative size and market position of Millicom in comparison to its competitors.

Market	Estimated Range of Market Share Ranking at December 31, 2004(1)				Estimated Market Position at December 31, 2004(1)
	Greater than 50%	Between 25% and 50%	Between 10% and 25%	Less than 10%	
South East Asia					
Cambodia	Millicom	–	Cambodia Shinawatra CaSaCom	Camtel	1 of 4
Lao People's Democratic Republic	Lao Telecom	–	Millicom	LAT ETL	2 of 4
Vietnam	Vinaphone	Millicom	–	SLD Telecom Viettel	2 of 4
South Asia					
Pakista–Pakcom	PMCL	–	Millicom(2) PTML	–	3 of 3
Pakistan–Paktel	PMCL	–	Millicom(2) PTML	–	3 of 3
Sri Lanka	MTN Networks	–	Millicom Mobitel	Hutchison	2 of 4
Central America					
El Salvador	–	Millicom CTE Telecom Personal	Telefonica Moviles Digicel	–	1 of 4
Guatemala	–	Sercom	Millicom Consultora de Inversiones BSC Comunicacion es y Cia Telefonica Centroamerica	–	2 of 4
Honduras	Millicom	Megatel de Honduras	–	–	1 of 2
South America					
Bolivia	Movil de Entel	–	Millicom Nueva Tel	–	2 of 3
Paraguay	–	Millicom Nucleo	Hola Paraguay	HT Paraguay	1 of 4
Africa					
Ghana	Scancom	–	Millicom One Touch	Kasapa	2 of 4
Mauritius	Cellplus	Millicom	–	–	2 of 2
Senegal	Sonatel	Millicom	–	–	2 of 2
Sierra Leone	Celtel	Millicom	–	–	2 of 2

Tanzania	Vodacom	Millicom Celtel	Zanzibar Telecom	3 of 4
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- (1) Based on number of subscribers. Source: EMC, an independent cellular market research firm.
- (2) Represents combined market position of Pakcom and Paktel. As of December 31, 2004, two new entrants into the Pakistani market had not yet started operations (see "Information on the Company–South Asia-Pakistan").

The following table presents, at the dates and for the periods indicated, selected operating data for each of Millicom's cellular operations.

Market	As at December 31,					
	Total Subscribers			Prepaid Subscribers as Percentage of Total Subscribers		
	2004	2003	2002	2004	2003	2002
<b>South East Asia</b>						
Cambodia	609,704	431,911	325,264	99%	99%	99%
Lao People's Democratic Republic(1)	40,315	17,374	–	100%	100%	–
Vietnam(2)	1,849,288	1,035,582	686,663	73%	73%	72%
Subtotal South East Asia	2,499,307	1,484,867	1,011,927	80%	81%	80%
<b>South Asia</b>						
Pakistan–Pakcom	534,734	491,011	344,702	96%	97%	95%
Pakistan–Paktel	481,566	333,169	218,536	96%	93%	85%
Sri Lanka	442,546	368,102	266,372	98%	97%	94%
Subtotal South Asia	1,458,846	1,192,282	829,610	97%	96%	92%
<b>Central America</b>						
El Salvador(3)	534,288	465,150	n/a	73%	70%	n/a
Guatemala	672,734	596,078	467,620	86%	84%	74%
Honduras	490,014	351,285	326,508	87%	83%	79%
Subtotal Central America	1,697,036	1,412,513	794,128	82%	79%	76%
<b>South America</b>						
Bolivia	414,088	334,319	410,887	95%	93%	94%
Paraguay	523,309	605,057	550,109	85%	89%	89%
Subtotal South America	937,393	939,376	960,996	89%	91%	91%
<b>Africa</b>						
Ghana	277,045	117,816	52,060	99%	99%	97%
Mauritius	167,565	136,620	97,137	89%	89%	86%
Senegal	339,884	206,506	97,804	100%	100%	100%
Sierra Leone	33,409	31,699	13,411	100%	100%	100%
Tanzania(4)	302,712	168,863	145,838	100%	100%	96%
Subtotal Africa	1,120,615	661,504	406,250	98%	97%	95%
<b>Total</b>	<b>7,713,201</b>	<b>5,690,542</b>	<b>4,002,911</b>	<b>87%</b>	<b>87%</b>	<b>86%</b>

- (1) Following the restructuring of Millicom's holding in December 2004, it owns a 74.1% equity interest in Millicom Lao Co., Ltd. Mr. Zaman, a private business partner and senior executive vice-president of Millicom now owns 3.9% of Millicom Lao.

- (2) Comvik International (Vietnam) AB ("CIV"), our 80% owned subsidiary, together with Kinnevik (Millicom's controlling shareholder) and Vietnam Mobile Services Co. have entered into a revenue sharing agreement in the form of a business cooperation contract to operate a national cellular GSM system in Vietnam ("Mobifone"). This agreement, which has a 10-year term from May 19, 1995, provides that CIV is entitled to receive 50% of Mobifone's net revenues through May 18, 2005. See "Asia-Vietnam".
- (3) Prior to May 1, 2001, our results of operations included our proportionate share of the results of our operation in El Salvador. As of May 1, 2001, due to a dispute with our local partners, we determined that proportional consolidation was no longer appropriate and we began accounting for our operation in El Salvador under the equity method. As of December 31, 2002, because the

dispute was still ongoing and we no longer believed we exercised significant control over our operation in El Salvador, we recorded our investment as non-current asset in the balance sheet under the caption "Investment in other securities". In September 2003, we resolved this dispute and were deemed to have a 100% economic ownership in our operation in El Salvador, while Millicom's legal ownership interest remained at 70% until the final settlement date of the acquisition price. Accordingly, we accounted for our operation in El Salvador as a 100% owned subsidiary as from September 15, 2003. In December 2004 Millicom settled the full acquisition price bringing its legal ownership interest in the operation in El Salvador to 100%. See "Operating and Financial Review and Prospects—Results of Operations".

- (4) On February 5, 2004 Millicom acquired 25% of Millicom Tanzania Ltd from the Government of Tanzania, bringing its ownership to 84%. From this date onwards, Millicom fully consolidates Millicom Tanzania Ltd as a subsidiary.

The following table presents, for the periods indicated, revenues for each of Millicom's cellular operations. These figures do not include Millicom's non-cellular operations.

Market	Method of consolidation(1)	Revenues		
		2004	2003	2002
		(in thousands of U.S. dollars)		
South East Asia				
Cambodia	JV	56,631	40,617	33,203
Lao People's Democratic Republic(2)	S	3,734	1,093	—
Vietnam(3)	S	162,807	129,936	102,457
Subtotal South East Asia		223,172	171,646	135,660
South Asia				
Pakistan—Pakcom	S	54,337	50,751	37,796
Pakistan—Paktel	S	34,349	33,135	27,615
Sri Lanka	S	24,563	21,716	17,722
Subtotal South Asia		113,249	105,602	83,133
Central America				
El Salvador(4)	S	148,905	39,052	n/a
Guatemala	JV	94,277	78,485	67,731
Honduras	JV	61,852	47,858	48,172
Subtotal Central America		305,034	165,395	115,903
South America				
Bolivia	S	41,962	38,358	37,405
Paraguay	S	72,043	60,985	73,740
Subtotal South America		114,005	99,343	111,145
Africa				
Ghana	S	35,443	16,803	10,106
Mauritius	JV	15,530	12,002	9,931
Senegal	S	43,785	25,963	15,142
Sierra Leone	S	10,681	6,972	4,084

Tanzania(5)	S	44,540	23,118	22,748
		<hr/>	<hr/>	<hr/>
Subtotal Africa		149,979	84,858	62,011
		<hr/>	<hr/>	<hr/>
<b>Total</b>		905,439	626,844	507,852
		<hr/>	<hr/>	<hr/>

- (1) JV = Joint Ventures. Under IFRS, joint ventures are consolidated using the proportional method of accounting which combines our assets, liabilities, income and expenses with our share of the assets, liabilities, income and expenses of the joint ventures in which we have an interest.

S = Subsidiary. Subsidiaries are entities over which we have control and are fully consolidated.

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, as well as the influence it has over the day-to-day operations of the above ventures.

- (2) Following the restructuring of Millicom's holding in December 2004, it owns a 74.1% equity interest in Millicom Lao Co., Ltd. Mr. Zaman, a private business partner and senior executive vice-president of Millicom now owns 3.9% of Millicom Lao.
- (3) Comvik International (Vietnam) AB ("CIV"), our 80% owned subsidiary, together with Kinnevik (Millicom's controlling shareholder) and Vietnam Mobile Services Co. have entered into a revenue sharing agreement in the form of a business cooperation contract to operate a national cellular GSM system in Vietnam ("Mobifone"). This agreement, which has a 10-year term from May 19, 1995, provides that CIV is entitled to receive 50% of Mobifone's net revenues through May 18, 2005. See "Asia-Vietnam".
- (4) Prior to May 1, 2001, our results of operations included our proportionate share of the results of our operation in El Salvador. As of May 1, 2001, due to a dispute with our local partners, we determined that proportional consolidation was no longer appropriate and we began accounting for our operation in El Salvador under the equity method. As of December 31, 2002, because the dispute was still ongoing and we no longer believed we exercised significant control over our operation in El Salvador, we recorded our investment as non-current asset in the balance sheet under the caption "Investment in other securities". In September 2003, we resolved this dispute and were deemed to have a 100% economic ownership in our operation in El Salvador, while Millicom's legal ownership interest remained at 70% until the final settlement date of the acquisition price. Accordingly, we accounted for our operation in El Salvador as a 100% owned subsidiary as from September 15, 2003. In December 2004 Millicom settled the full acquisition price bringing its legal ownership interest in the operation in El Salvador to 100%. See "Operating and Financial Review and Prospects-Results of Operations".
- (5) On February 5, 2004 Millicom acquired 25% of Millicom Tanzania Ltd from the Government of Tanzania, bringing its ownership to 84%. From this date onwards, Millicom consolidates Millicom Tanzania Ltd as a subsidiary.

## Competitive Strengths

We believe that our competitive strengths will enable us to benefit from the increasing demand for the services provided by cellular operators in emerging markets. Our competitive strengths include:

*Established prepaid operator.* Our focus on prepaid cellular services for the mass market offers the advantage of lower subscriber acquisition and operating costs, which results in higher margins and a faster average payback time (on average, approximately three months). In addition, prepaid customers offer the advantage of eliminating bad debt, billing and collection costs. The introduction of prepaid cellular services has also opened up the market for cellular services to customers who have previously been denied access to cellular service. Increased demand for prepaid cellular services is also arising from business users and those customers who purchase prepaid credits in order to control their telephone costs, creating a new segment of the market.

*Delivering profitable growth.* One of our key strengths is our ability to grow our businesses while enhancing our operating profitability. As the first or second operator in most of the markets in which we have ventures, we have typically been able to acquire our licenses at low cost with minimum build-out requirements. We have consistently achieved strong subscriber growth while decreasing subscriber acquisition costs through the creation of well known, perceived price





leading brands. Additionally, we have developed an extensive distribution network at low cost that provides our customers with broad service coverage, further leveraging our strong brand names in most of our operations. The use of handset subsidies is not part of our prepaid strategy.

*Track record of innovation.* We believe that innovation is another key to our success. In nearly all of our markets, we were the first to launch branded prepaid cellular services, which now predominate in our markets. We have been the first to focus on non-traditional distribution channels to increase our mass market prepaid customer reach in our markets. For example, we have used freelance distributors, such as street vendors, and sold prepaid cards in mass market outlets, which has reduced our sales and marketing costs. In addition, because we focus on prepaid services and low costs, we believe we are perceived as a price leader.

*Low operating costs and high capital efficiencies.* We have established service in markets that we believe offer high potential financial returns and substantial operational leverage. While we have always had a strategy to control costs, we initiated a stricter centralized cost reduction program for all of our ventures in 2002 that we continue to apply today. We operate sizeable networks covering areas of the highest population and business activity. Any future build out of our network infrastructure will be demand driven. In addition, our migration to GSM will lower our investment per capacity minute with faster payback. Historically, our operations have generated an operating profit before depreciation and amortization within 12 to 18 months of start up.

*Integrated strategy.* We have rigorously pursued the many synergies inherent in our multi country operations and the increasing scale in our existing markets. Such synergies include sharing information and best practices about services, human resources, technologies and market strategies and centralized negotiation of financing and of supply contracts for network and subscriber equipment. For example, our operation in Laos has been able to draw on the operational and managerial experiences and resources of our operations in Cambodia and Vietnam, which allows us to operate in Laos with a low cost base.

*Diversified operations.* We believe our 17 operations in 16 countries on three continents provide a balance of established cash flow generation and high-growth potential. Our diversification across countries and continents also lessens our exposure to unfavorable changes in a single market or currency. For example, we have continued to grow our total subscriber base and operating profitability over the last years despite economic difficulties in South America.

*Highly skilled senior management.* Our highly skilled senior management combines the extensive experience of senior managers from the telecommunications industry with experienced executives from the fast-moving consumer goods sector, whom we recruited over the last years. Many of our senior executives have spent more than 10 years working in emerging markets and have demonstrated their ability to manage costs while rapidly growing the business and to start up and successfully integrate new businesses.

## Strategy

Our strategy is to operate with the lowest possible cost base from which we can offer the consumer better value for money through lower tariffs and better network quality and services. We believe that, given the low cellular penetration in our markets, we can continue to achieve growth in our subscriber base while continuing to improve our operating margins and cash flows. We intend to accomplish this by:

*Focusing on growth.* We believe there is a significant opportunity for rapid growth in our markets due to low cellular penetration in economies with high growth potential and substantial pent up demand for basic voice telephony services. We believe we can grow our subscriber base and



revenue by continuing to focus on prepaid services while controlling costs and maintaining our position with postpaid customers. We will also continue to invest in our existing cellular ventures, where we believe we can generate attractive returns. In addition, we intend to increase our equity ownership in our ventures through opportunistic buy-outs of local partners. We may participate in consolidation within our markets through the careful evaluation, selection and pursuit of strategic opportunities. We may pursue new license opportunities in our adjacent markets within existing financial guidelines and offering group-wide synergy potential, as we have done in Laos.

*Improving cost efficiencies and capturing synergies.* We continue to seek ways to further reduce our cost base by rationalizing our operations since initiating, in 2002, a stricter centralized cost reduction program across our operations, which lowered our costs and which we continue to apply today. In addition, we expect to realize additional synergies across our operations, such as sharing of information, human resources, best practices and technologies and centralized negotiations of financing and of supply contracts for network and equipment handsets.

*Benefit from migration to the GSM standard in certain of our markets.* Our Asian and African businesses are GSM-based. In Pakistan, GSM services started in late 2004 and are being rolled out to an increasing number of our customers. In Latin America, we introduced GSM systems (including SMS) in Paraguay, Guatemala, Honduras and El Salvador in 2004. The equipment costs relating to GSM have decreased significantly over the last few years. We believe that GSM will increase our revenues and returns by enabling us to introduce new value-added services and roaming services while lowering our infrastructure and maintenance costs. GSM also offers our customers greater choice of handsets at a lower cost with improved functionality.

## SOUTH EAST ASIA

### Background

South East Asia comprises our Asian cellular telephone operations with interests in three cellular operations in three markets: Cambodia, Lao People's Democratic Republic and Vietnam. In South East Asia we also operate an international gateway and a high-speed data business in Cambodia. Our South East Asia's license areas covered approximately 102.2 million people as of December 31, 2004.

### Cambodia

1999 was Cambodia's first full year of peace in 30 years. Since then progress was made on economic reforms and growth. Cambodia's growth has averaged 6 to 7% been during 1999-2003 largely due to an agricultural jump due to favorable weather conditions. Real GDP grew by 5.2% in 2003 and was estimated to slow down to 4.3% in 2004 as the agricultural sector slows down and structural weaknesses constrain non-agricultural growth. Tourism and garment export are now Cambodia's fastest growing industries. However, the elimination of garment quotas under the World Trade Organization (WTO) rules starting in 2005 will put this part of growth at risk. The long-term development of the economy after decades of war remains a challenge. The population lacks education and productive skills, particularly in the rural areas, which suffer from an undeveloped infrastructure and from land ownership issues. Lack of good governance, lack of political commitment to judicial and legal reform, and lack of overall progress on structural reform continue to dampen foreign investment and delay foreign aid. The government is addressing these issues with assistance from bilateral and multilateral donors. Cambodia joined the WTO in 2004. Cambodia's population was approximately 13.6 million in 2004.

We have a 58.4% equity interest in CamGSM Company Limited ("CamGSM"). The remaining 41.6% of CamGSM is owned by a Cambodian company, Royal Group of Companies Ltd ("RGC") (38.5%) and a private business partner, Mr. Muhammed Akhtar Zaman (3.1%), who is a senior vice president of Millicom. Millicom and RGC entered into a joint agreement in November 1997 to operate a GSM mobile cellular telephony network throughout Cambodia. Under this agreement, Millicom and RGC appoint four and three directors, respectively, and one director as Chairman and Vice-Chairman, respectively, of CamGSM. The board decides major issues such as approving the annual business plan, approving any distribution of profits, the employment of senior officers, and termination and liquidation of CamGSM, subject to shareholder approval. RGC is responsible for the provision of business facilities and assisting the joint venture in obtaining government licenses and approvals. Millicom is entitled to a 62.3% profit distribution with 34.4% to RGC and 3.3% to Mr. Muhammed Akhtar Zaman, respectively. Because the shareholders' meeting requires minority shareholder participation, and because the board meeting requires the participation of the board representative of the minority shareholder, the minority shareholder can effectively block the vote at both the shareholders' and board meetings by not participating in the meeting. Millicom therefore accounts for this operation as a joint venture.

On April 20, 1996, CamGSM was awarded a 25-year license to operate a nationwide GSM cellular network, the first such license granted in that country. In July 1999 the license was extended to 35 years. The annual license fee payable to the Ministry of Posts and Telecommunications of Cambodia ("MPTC") for the years 1999 to 2001 was 10% of gross revenue, net of interconnection and certain other charges. This fee increased to 15% from 2002 onwards.

The operation commenced commercial service in Phnom Penh in 1997 and coverage has since then been expanded significantly to cover five regional capitals as well as all provinces and major towns. We are the only operator with coverage in all provinces and major towns.

CamGSM's network is based upon the GSM standard. As of December 31, 2004, CamGSM's network consisted of 258 cell sites covering approximately 23% of the population.

Cambodia has a calling party pays system.

CamGSM has two principal competitors in the cellular telephony market in Cambodia, each of which operates a GSM network: Shinawatra; and CaSaCom, a joint venture between Samart and Telecom Malaysia. According to EMC and independently verified incidence figures, as of December 31, 2004, CamGSM had the number one market position. Coverage in the provinces and major towns is a principal area of competition relative to other market participants. MPTC functions as both a regulator and operator in Cambodia, and there have been recent efforts to revise the Law on Telecommunications to provide for a separate and independent regulatory body.

In addition to our cellular telephony operation, since November 2000, we also operate an international gateway in Cambodia, under the name Royal Telecom International Limited ("Telecam"), facilitating both incoming and outgoing international traffic. The license is for 25 years from November 2000, subject to renewal for an additional five-year period. Millicom owns 57% of Telecam with the remaining 40% owned by a Cambodian company and 3% held by our private business partner, Mr. Muhammed Akhtar Zaman, who is a senior vice president of Millicom. The license fee is 51% of gross revenues, net of interconnection and accounting/settlement rates. Telecam's joint venture arrangements are similar to those of CamGSM. Millicom accounts for its operations in Cambodia as a joint venture.

Since January 2001, we have also provided cellular broadband services in certain cities in Cambodia and, through a joint venture with the Cambodian Ministry of Information, broadcast-to-air UHF television services.

### **Lao People's Democratic Republic**

The government of Laos, one of the few remaining official Communist states, began decentralizing control and encouraging private enterprise in 1986. As a result, growth averaged 6% in 1988-2003. Despite this high growth rate, Laos infrastructure remains less developed than neighboring countries. It has no railways, main highways are being surfaced but the bulk of the network remains dirt tracks. There are now 5 licensed Telecom Companies operating 4 GSM networks, 2 fixed telephone networks and one WLL network. Internet remains very slow and expensive, International calls are a state monopoly with high price and poor quality. Electricity supply is available in urban areas and is being deployed along roads and tracks in rural areas. Subsistence agriculture accounts for 49% of GDP and provides 80% of total employment. The economy will continue to benefit from aid from international institutions (e.g., World Bank, Asian Development Bank) as well as bilateral government aid. Significant foreign investment remains limited to large hydropower projects and mining.

Following the restructuring of our holding in 2004, we now have a 74% equity interest in Millicom Lao Co. Ltd. ("Millicom Lao"), an operation providing GSM telephone services in Lao PDR. The Government of Laos owns 22% of Millicom Lao. Mr. Zaman, a private business partner and senior executive vice-president of Millicom, owns 4% of Millicom Lao.

In January 2002, we were awarded a 20-year license to operate in Laos. The annual license fee is \$100,000 per year plus 2% of net airtime revenues. The joint venture commenced operations in April 2003 under the TANGO brand and offers prepaid GSM mobile phone services for domestic customers and roaming services in Laos for the subscribers of more than 100 partner networks.

Millicom Lao operates a digital network using the GSM 900/1800 standard, with coverage in 16 provinces (out of 18). National coverage was launched in early 2005. In the near future Millicom Lao will continue increasing its capacity in Vientiane and further develop its nationwide coverage.

Laos has a calling party pays system.

We compete with three other GSM operators in Laos. Laos Telecommunications Company, which is a joint venture between Shinawatra and the government of Laos, ETL, which is wholly owned by the government of Laos, and LAT which is owned by the Laotian Ministry of Defense and operates a GSM 900 network. As of December 31, 2004, our Laos joint venture had the number two market position behind Laos Telecommunications Company. The local regulator, MCPTC, functions as both regulator and operator.

## **Vietnam**

Vietnam is an emerging market that is still recovering from times of war, the loss of financial support from the former Soviet bloc, and the rigidities of a centrally planned economy. Growth has risen steadily since 2000, with a figure of 7.7% real GDP growth achieved in 2004 despite the background of global slow-down. These numbers still mask major difficulties in economic performance. Many domestic industries have reported large stockpiles of inventory and tough competition from more efficient foreign producers. Meanwhile, Vietnamese authorities have moved to implement the structural reforms needed to modernize the economy and to produce more competitive, export-driven industries. Entry by Vietnam into the World Trade Organization, which the Vietnamese government hopes will occur by 2006, is a key goal of the Vietnamese government and many bi-lateral trade agreements have been, or are in the process of being, signed with major trading partners. This includes a Market Access Agreement signed with the European Union on March 31, 2005 which includes a clause for all EU investors in the telecommunications sector operating under Business Cooperation Contracts with Vietnamese operators to have the possibility to renew current agreements or to convert them into another form of establishment with conditions no less favorable than those they now enjoy.

We have an 80% equity interest in Comvik International (Vietnam) AB ("CIV"), which has entered into a business cooperation contract ("BCC") to operate a nationwide cellular GSM network in Vietnam known as Mobifone. The remaining 20% interest in CIV is held by our private business partner, Mr. Muhammed Akhtar Zaman, who is a senior vice president of Millicom. Service commenced in July 1995 and covers all provinces, including the important cities of Hanoi, Ho Chi Minh City and Da Nang. Mobifone operates a digital network based upon the GSM standard. As of December 31, 2004, Mobifone's network consisted of 1050 cell sites covering approximately 66.8% of the population.

CIV, together with Millicom's controlling shareholder Kinnevik and Vietnam Mobile Services Co. ("VMS"), a government owned company, entered into the BCC in 1994. In 1995 the Vietnamese State Committee gave final approval for this agreement, and a license to provide cellular service throughout the entire country was issued to VMS.

The BCC has a 10-year term, provides for revenue sharing between CIV and VMS, and sets out certain obligations of the parties, including CIV's obligations to make certain investments in network infrastructure and to provide training and other services to Mobifone. The BCC provides for extension negotiations to commence after eight years of operation, i.e., in 2003. Since then, CIV has held extensive discussions with VNPT and VMS with the aim of securing a long-term business relationship. We proposed extending the BCC for a ten-year period which was refused by the Vietnamese government because an extension of the BCC in its current form is not the form of co-operation preferred by the Vietnamese government going forward. In February 2004 and in November 2004, CIV and VMS signed two Memoranda of Understanding to continue their long term cooperation under the form of a Joint Stock Company ("JSC"). CIV and VMS/VNPT are in the process of negotiating an agreement that would allow CIV to become a shareholder of VMS once it is equitized. We have received no assurance from the Vietnamese government as to when or whether such an agreement will

be signed, nor do we know which terms and conditions such an agreement may be subject to. We may not be successful in achieving any interim solution that allows us to continue our business in Vietnam.

The BCC originally provided that CIV would be entitled to receive 50% of Mobifone's net revenues for the first five years of operation and 40% thereafter. In October 2000, the BCC received an amended investment license which increased CIV's contribution to the BCC and provided for a 50:50 revenue sharing arrangement. CIV initially contracted to invest \$128 million in the venture and the full amount of this commitment was met as of December 31, 2003. In connection with the amendments to the BCC in 2000, 2002 and 2003, CIV committed to invest an additional minimum amount of \$75 million, of which approximately \$56.7 million was disbursed as of December 31, 2004. In October 2004, CIV agreed to convert \$6,700,000 of investments into billing and customer care systems, itemized in the original BCC contract as a CIV contribution to the BCC, into additional network investments. As a result of this amendment, CIV's minimum agreed contribution to the venture over the term of the license to May 2005 amounts to \$209.5 million.

Upon expiration of the BCC on May 18, 2005, legal title to all equipment will be transferred to VMS at the depreciated book value of those assets on such date, which will equal \$1. If the revenue sharing agreement is not extended or CIV is unable to maintain its operations in Vietnam through another agreement, its telecommunications services will cease on May 18, 2005. In such event, CIV would no longer generate any revenues from cellular operations in Vietnam. CIV's revenues for the year ended December 31, 2004 were \$162,807,000 (18% of Millicom's total revenues) and operating profit was \$68,183,000 (27%% of Millicom's total operating profits). CIV still needs to disburse, before the end of the revenue sharing agreement on May 18, 2005, approximately \$27,639,000 of outstanding capital commitments under the BCC. An impairment charge of \$16.6 million has been recorded in the first quarter of 2005 in the consolidated Group accounts to account for the write-down of property, plant and equipment in Vietnam as the BCC expires on May 18. The Vietnam asset impairment is due to a late approval of investments required under the BCC which prevented CIV from generating revenues on these fixed assets. Please refer to the following risk factor in the Risk Factor section: *"The agreement under which we conduct our operations in Vietnam, which is our largest contributor to revenue, expires on May 18, 2005, unless extended. We do not exercise management control over Mobifone."*

Under the terms of the BCC, Millicom does not exercise management control over Mobifone. Certain management decisions, such as the decision to make certain capital expenditures and other business policy decisions, are made by an advisory committee comprised of eight members (four of which are appointed by CIV and four of which are appointed by VMS). Although the advisory committee has in the past made decisions based on our recommendations, we cannot assure you that the advisory committee will make decisions based on our recommendations in the future or that it will act in a manner consistent with our interests. In addition, CIV and VMS must agree in writing to amend the BCC, sell all or substantially all of the business assets or terminate any business license. If a dispute occurs between us and VMS and we are unable to resolve it satisfactorily, our results of operations and financial condition would be adversely affected.

Vietnam is a highly regulated market. The ministry which regulates telecommunications services in Vietnam ("MPT") recently issued a telecommunications ordinance outlining its regulatory policy. The MPT has introduced the concept of "significant market power" (i.e., greater than 30% market share) and adopted regulations which favor competition, including the regulation of end-user tariffs for operators with "significant market power" such as Mobifone. Two new markets entrants are S-Fone, which operates a CDMA network, in July 2003, and Viettel, which operates a GSM network and started operations in October 2004. These operators are allowed to offer tariffs approximately 15%-20% below those operators with significant market power such as Mobifone. The impact of these new operators has been to drive down the tariffs of the existing operators, including Mobifone, which in turn has stimulated market demand. The total market grew by about 80% in 2004, with Mobifone growing by over 800,000 subscribers and maintaining its market share at around 39% of the total market.

Mobifone has three competitors in the cellular telephony market in Vietnam, the most important one being VinaPhone, which launched GSM services in 1996 and is wholly owned by the Vietnamese government. According to EMC, as of December 31, 2004, Mobifone had the number two market position behind VinaPhone. We anticipate increased competition as the number of GSM and CDMA nationwide operators grows, which is expected to spur further market growth. We attempt to differentiate ourselves from our competitors in the areas of marketing and distribution. The telecoms regulator, MPT, has recently issued a further two new licenses, a CDMA 800MHz license to Hanoi Telecom and a CDMA 450 limited wireless local loop license to VP Telecom. We do not expect that MPT will issue further licenses. MPT is also expected to issue new regulations governing mergers and acquisitions among operators emerging as dominant players over the coming years.



## SOUTH ASIA

### Background

South Asia comprises our Asian cellular telephone operations with interests in three cellular operations in two markets: Pakistan (two operations) and Sri Lanka. Our South Asia's license areas covered approximately 179.1 million people as of December 31, 2004.

### Pakistan

Pakistan suffers from internal political disputes, low levels of foreign investment, and a costly ongoing confrontation with neighboring India over the disputed border region of Kashmir. Pakistan's economic prospects, although still marred by poor human development indicators, continued to improve in 2004 following unprecedented inflows of foreign assistance beginning in 2002-2003. Foreign exchange reserves have grown to record levels, supported largely by fast growth in recorded worker remittances. Trade levels rebounded after a sharp decline in late 2001. The Pakistani government has made significant inroads in macroeconomic reform since 2000. Although it is in the second year of its \$1.3 billion IMF Poverty Reduction and Growth Facility, the government continues to require waivers for politically difficult reforms. Long-term prospects remain uncertain as development spending remains low, regional tensions remain high, and political tensions weaken Pakistan's commitment to lender-recommended economic reforms. GDP growth will continue to depend on crop performance, dependence on foreign oil leaves the import bill vulnerable to fluctuating oil prices, and efforts to open and modernize the economy remain uneven. Pakistan had a population of about 160 million in 2004.

Pakistan is our largest market in terms of population. We have two distinct cellular operations in Pakistan, Pakcom Limited ("Pakcom") which we formed in 1990, and Paktel Limited ("Paktel"), which we acquired in November 2000. We manage these operations separately, addressing different market segments with different brands. We have consolidated our support and infrastructure functions to take advantage of available synergies. Following Paktel's receipt of a GSM license and the allocation of the necessary frequency in October 2004, GSM service was launched and Pakcom had about 340,000 GSM subscribers as of March 31, 2005. We expect a significant increase in competition following the launch of GSM services by 2 new entrants. Telenor launched operations on 15 March 2005 and Warid is expected to launch during May 2005. Such competition is likely to result in price erosion, increased acquisition costs as well as increased levels of churn among subscribers.

Pakcom has experienced a decline in subscribers and will launch a more aggressive acquisition campaign based on the rollout of a CDMA network which is expected to start in 2005. On April 18, 2005 Pakcom reached agreement with the Pakistan Telecommunications Authority (PTA) for the renewal of its license for 15 years. The license is for CDMA services. The payment terms are similar to those agreed in 2004 by Paktel, Millicom's other venture in Pakistan. Pakcom will pay a license fee of \$291 million, of which 50% is payable over the first three years and the remaining 50% over 10 years. Pakcom is still in negotiations with the PTA regarding the allocation of the spectrum.

Subject to our agreement with the other shareholders, we may have to reduce our current ownership interest in Paktel and increase our current ownership interest in Pakcom to 70% in each operation.

In 2004 the government auctioned regional CDMA wireless local loop (WLL) licenses in 14 regions. In each region three sets of licenses using the 1900 Mhz spectrum and one set using the 450 Mhz spectrum were awarded. Four companies used 1900 Mhz licenses to build an almost nation-wide footprint. Operators are moving to use CDMA on WLL to create a parallel mobile network. However, Pakistani regulations establish a limit in that mobility is limited to single cell. WLL was intended to be a technology that competes with fixed line operators. It is possible that these operators will obtain

exemptions to permit full mobility and will become competitors in the mobile sector, similar to what has occurred in India.

In December 2000, the government of Pakistan implemented calling party pays. End-user tariffs in Pakistan are subject to price caps set by the PTA.

Pakcom and Paktel have four competitors in the cellular telephony market in Pakistan: Telenor (launched in March 2005); Warid Telecom (expected to launch in May 2005); Pakistan Mobile Communications (Private) Limited (PMCL); and Pakistan Telecommunications Mobile Limited (PTML), a subsidiary of PTCL; each operate GSM networks. PTCL is expected to be privatized in 2005. It is expected that 26% of its equity will be sold in exchange for full management control.

As of December 31, 2004, Pakcom and Paktel had two other competitors: PMCL and PTML. As of December 31, 2004, Pakcom and Paktel had a combined number three market position.

### **Pakistan–Pakcom**

We have a 61.3% equity interest in Pakcom. Millicom's partners in Pakcom are Grand Canyon Corporation, Arfeen International and members of the Arfeen family, which together own 38.7% of the equity.

In early 1990, Pakcom was granted a license to operate a cellular telephone network throughout Pakistan. In 1999, Pakcom received regulatory approval to operate digital services under its existing license. In April 2004, the government issued two new 15 year licenses with frequencies of 13.6 MHZ to two new entrants, Telenor and Warid Telecom, by public auction for \$291 million each.

Pakcom pays a royalty to the PTA at the rate of 2.5% of gross sales revenues (net of leased circuit and public switched telephone network charges paid to Pakistan Telecommunications Company Limited ("PTCL")), which is payable quarterly in arrears.

We are in the process of reconsidering our strategy on Pakcom, in part as a result of the entry of these new competitors into the market including a possible exit of the business.

Pakcom's license was due to expire on April 18, 2005. On the same date Pakcom reached agreement with the Pakistan Telecommunications Authority (PTA) for the renewal of its license for 15 years. The payment terms are similar to the terms agreed in 2004 by Paktel, Millicom's other subsidiary in Pakistan. Pakcom will pay a license fee of \$291 million, with 50% payable over three years and the remaining 50% payable over the following 10 years. Pakcom is still in negotiations with the PTA with regard to the allocation of spectrum.

Pakcom launched commercial service, providing analog services, in 1990. Pakcom implemented the digitalization of its cellular network and launched TDMA services in Karachi in 2000. As of December 31, 2004, Pakcom's network consisted of 217 cell sites, covering approximately 45% of the population.

Pakcom competes primarily on the basis of network coverage.

### **Pakistan–Paktel**

We have a 98.9% equity interest in Paktel, which we acquired in November 2000. Paktel launched commercial service in 1990. In April 2001, Paktel commenced offering prepaid services under the brand name Tango. In October 2004, Paktel obtained the necessary frequencies and launched GSM services. As of March 31, 2005, Paktel had about 340,000 GSM subscribers and its network consisted of 300 cell sites, covering approximately 45% of the population.

Paktel was granted a license in early 1990 to operate a cellular telephone network throughout Pakistan. In October 2002, Paktel was granted a modification to its license, allowing it to operate a GSM network and the Frequency Allocation Board of Pakistan awarded Paktel the necessary frequency.

Paktel pays a royalty to the PTA of 2.5% of gross revenues (net of leased circuit and public switched telephone network charges paid to PTCL, another government entity), which is payable in arrears.

On October 23, 2004, Paktel, signed agreements with the PTA to operate its GSM network with immediate effect and to renew its license for 15 years from October 23, 2004 for a license fee of \$291,000,000. Paktel and the PTA have agreed deferred payment terms under which 50% of the license fee will be paid in installments over the first three years of the license. The second 50% of the license fee will be payable in ten yearly payments from 2008 through to 2017. Payments already made by Paktel for the GSM migration since 2002, totaling approximately \$14 million, have been treated as payments towards Paktel's new license fee. Paktel has been awarded additional 1800 spectrum, increasing its total spectrum for its GSM network from 10MHz to 13.6MHz. The agreement followed an earlier failure by the PTA to comply with an agreement to operate Paktel's GSM network.

## **Sri Lanka**

In 1977, Sri Lanka abandoned statist economic policies and its import substitution trade policy for market-oriented policies and export-oriented trade. Sri Lanka's most dynamic sectors now are food processing, textiles and apparel, food and beverages, telecommunications, and insurance and banking. By 1996 plantation crops made up only 20% of exports (compared with 93% in 1970), while textiles and garments accounted for 63%. Growth was about 3.2% in 2002 and 5.5% in 2003. Sri Lanka's economy continued to grow in 2004 amidst several adverse internal and external shocks. 2004 growth was about 5.5%. Major domestic shocks that had an impact on the economy were the election related uncertainties in early 2004 and the drought that adversely affected a large extent of agricultural areas and hydropower generation. Escalating oil prices were the most significant external shock while the global economic recovery had a beneficial effect in 2004. A growth of 5-6% is estimated for 2005 despite the tsunami that hit Sri Lanka on December 26, 2004. Sri Lanka had a population of almost 20 million in 2004.

Tensions between the Sinhalese majority and Tamil separatists erupted in violence in the mid-1980s, and the ethnic war continues to fester. After two decades of fighting, the government and Liberation Tigers of Tamil Eelam ("LTTE") began a ceasefire in December 2001, with Norway brokering peace negotiations, and a joint ceasefire accord was entered into in 2002. This ceasefire agreement remains unbroken to date. However, the peace discussions that started with the signing of the ceasefire accord came to a halt in 2003 with the LTTE demanding that an interim self-governing authority be set up until the finalization of the peace discussions, which the government refused.

We have a 99.99% equity interest in Celltel Lanka (Private) Limited ("Celltel"). The remaining equity interest in Celltel is held by four local individuals. A process has been initiated to purchase these shares.

Celltel has a license to operate a cellular telephone network, which expires in 2008, covering the entire country. This license was a renewal of Celltel's initial license that was granted in 1988 and expired in 1995. An annual license fee is payable to the Telecommunications Regulatory Commission of Sri Lanka ("TRCSL").

Celltel operates an analog and a digital network. It launched GSM services in 2000. The GSM network covers greater Colombo and almost all primary and most of the secondary and tertiary towns in the country, other than in the North and East areas where coverage is limited to Trincomalee and Ampari. We provide coverage of the main roads from Colombo to Kandy, Colombo to Puttalam,

Colombo to Kataragama, Colombo to Habarana and other key roads. As of December 31, 2004, Celltel's network consisted of 152 GSM cell sites covering about 40% of the population..

Sri Lanka has a mobile party pays system and is moving to adopt a calling party pays ("CPP") system, the timing of which is uncertain due to a political stalemate.

Celltel has three competitors in the cellular telephony market in Sri Lanka: Dialog-MTN Networks, which operates a GSM network and in which Telekom Malaysia is a shareholder; Mobitel, which operates an AMPS and GSM network and in which Sri Lanka Telecom, the national fixed line operator is a shareholder; and Lanka Cellular, which operates both an analog and a GSM network and in which Hutchison Whampoa is a shareholder. In 2004 Celltel held the number two market position behind Dialog-MTN Networks. Celltel competes with the other operators primarily on the basis of branding and distribution. Celltel anticipates that the introduction of CPP will boost market growth, although it is uncertain when this will occur given the lack of will of the government towards moving to CPP primarily due to the increase of telephony costs to the fixed telephone user that CPP introduction would cause.

In addition to our cellular telephony operation, since early 2003 we have also operated an international gateway in Sri Lanka, facilitating both incoming and outgoing international traffic. The license is for 10 years from 2003.

Sri Lanka was devastated due to the tsunami that hit the island on December 26, 2004 with more than 40,000 lives lost and hundreds of thousands persons being displaced. Celltel signed a Memorandum of Understanding with the Ministry of Health to reconstruct 40 damaged Gramodaya Health Centers (primary healthcare centers for pregnant women and infants) in the tsunami hit areas. The project is estimated to cost approximately \$1,800,000.

### Background

Central America consists of Millicom's cellular operations in Guatemala, Honduras, El Salvador,. Millicom Central America's licenses cover approximately 27.7 million people as of December 31, 2004.

### El Salvador

A 12-year civil war, which cost about 75,000 lives, was brought to a close in 1992 when the government and leftist rebels signed a treaty that provided for military and political reforms. In recent years, this Central American economy has been suffering from a weak tax collection system, factory closings, the aftermaths of Hurricane Mitch of 1998, the devastating earthquakes of early 2001, and weak world coffee prices. On the other hand, inflation has fallen to single digit levels, and total exports have grown substantially. El Salvador's main natural resources are geothermal power, hydro power and petroleum. The trade deficit is being offset by annual remittances from Salvadorans living abroad and by external aid. The US dollar is now the legal tender. Because competitor countries have fluctuating exchange rates, El Salvador faces the challenge of raising productivity and lowering costs. During 2004 the Salvadoran Congress passed legislation to reform the tax code to achieve higher government revenues and coffee prices improved. El Salvador had a population of about 6.5 million in 2004.

On September 15, 2003, Millicom's operation in El Salvador, Telemóvil, entered into a share purchase agreement with the minority shareholders of Telemóvil. The agreement provides for the acquisition by Telemóvil of 30% of its own shares for a consideration of \$70 million payable over a period of a maximum of 6 years and an annual dividend premium of \$1 million, with a corresponding net present value of \$67,371,000. Of this amount \$16 million was paid in cash at the closing of the transaction. The payment of the acquisition price is guaranteed by Millicom. During this period Telemóvil has an ownership interest in 30% of its own shares, while the record title remains with an escrow agent for the benefit of the minority shareholders pending the final settlement date. Based on this agreement, Millicom regained control and began consolidating Telemóvil at 100% since September 15, 2003. The legal ownership interest of Millicom remained at 70% until the final settlement date. In December 2004, Millicom settled the full acquisition price, bringing its legal ownership interest in the operation in El Salvador to 100%.

Telemóvil's license contract was signed in September 1991 for a 15-year period. On December 3, 2004, Telemóvil extended its cellular license in El Salvador for approximately \$10 million. This license which was due for renewal in 2006 will now expire in 2018.

Telemóvil operates a GSM network while maintaining its analog and TDMA digital networks. As of December 31, 2004, Telemóvil's network consisted of 190 sites covering approximately 90% of the population. Telemóvil inaugurated its full overlay GSM network in August 2004. As of December 31, 2004 Telemóvil had 79,500 GSM users.

El Salvador has a calling party pays system.

Telemóvil has three competitors in the cellular telephony market in El Salvador: Telefónica Móviles El Salvador, which operates a digital network based on the CDMA standard and is controlled by Telefónica Móviles; CTE Telecom Personal, which operates a GSM network and in which America Móvil acquired a majority stake; and Digicel which operates a GSM network. In addition, another license was granted to a potential entrant to deploy a digital trunking network (iDen technology) and is expected to begin operations before the second half of 2005. According to EMC, as of December 31, 2004, Telemóvil had the number one market position. El Salvador has a fairly liberalized telecommunications market. Regulation of access charges and interconnect prices by the national telecommunications regulator are in place using a price cap system. Access charges are negotiated among operators.

## Guatemala

During the second half of the 20th century, Guatemala experienced a variety of military and civilian governments as well as a 36-year guerrilla war. In 1996, the government signed a peace agreement formally ending the conflict which caused the death of more than 100,000 people and created some 1 million refugees. The agricultural sector accounts for about one-fourth of GDP, two-thirds of exports, and half of the labor force. Coffee, sugar, and bananas are the main products. Former President Arzu (1996-2000) worked to implement a program of economic liberalization and political modernization, which President Portillo has largely continued. The 1996 signing of the peace accords, which ended the civil war, removed a major obstacle to foreign investment, but investor confidence has not yet been fully restored. The distribution of income remains unequal, with approximately 75% of the population below the poverty line. Ongoing challenges include increasing government revenues, negotiating further assistance from international donors, upgrading both government and private financial operations, and narrowing the trade deficit. Guatemala had a population of about 14.5 million in 2004.

We have a 55% equity interest in Comunicaciones Celulares S.A. ("Comcel Guatemala"). Comcel Guatemala's other stockholders are Miffin Associates Corp., owning 35%, and Arkade International Inc., owning 10%. Millicom does not have a controlling interest in Comcel Guatemala since a number of operating decisions require the approval of the minority shareholders. Therefore, Millicom accounts for its operation in Guatemala as a joint venture.

Since 1990 Comcel Guatemala has had a concession to operate a cellular telephone network, and in March 2003 it purchased a license for a period of 15 years ending in 2018, which is renewable thereafter. Comcel Guatemala also has a license to offer international long-distance services, Internet Service Provider and local telephony services.

Comcel Guatemala launched commercial service in 1990. Comcel Guatemala operates both an analog network and a digital network based on the TDMA and GSM standards. As of December 31 2004 Comcel's network consisted of 618 cells in approximately 340 sites. As of December 31, 2004 Comcel had about 127,500 GSM users.

Guatemala has a calling party pays system. Comcel Guatemala has entered into interconnection arrangements with Telgua, the former PTT, and with 18 other local and international operators. The local PTT regulates access charges and interconnection costs.

After the merger of Telefonica and Bellsouth in October 2004, Comcel Guatemala had two competitors in the cellular telephony market in Guatemala: Sercom, which operates a GSM and a CDMA network and is controlled by América Movil; and Telefónica Centroamérica Guatemala, which operates a digital network based on the CDMA standard and is wholly owned by Telefónica Móviles. During the course of 2004, Telefonica also migrated to GSM in Guatemala. During the first quarter of 2003, two new licenses were granted, including a license to operate a network in the GSM 900 MHz frequency band. The licenses allow the purchaser to provide cellular services nationwide. Neither of the operators who were awarded these licenses commenced operations during 2004. According to EMC, as of December 31, 2004, Comcel Guatemala had the number two market position behind Sercom. Comcel competes primarily in the areas of marketing and distribution.

## Honduras

After two and one-half decades of mostly military rule, a freely elected civilian government came to power in 1982. During the 1980s, Honduras was a haven for anti-Sandinista contras fighting the Marxist Nicaraguan Government and an ally to Salvadoran Government forces fighting against leftist guerrillas. The country was devastated by Hurricane Mitch in 1998, which killed about 5,600 people and caused about \$2 billion in damages. Honduras is negotiating to obtain expanded trade privileges, such

as a suspension in import tariffs for certain manufactured goods, under the Enhanced Caribbean Basin Initiative and debt relief under the Heavily Indebted Poor Countries initiative. While the country has met most of its macroeconomic targets, it failed to meet the IMF's goals to liberalize its energy and telecommunications sectors. By the end of 2005 the current monopoly privileges for Hondutel (the state-owned telecoms operator) are expected to expire, which may allow private other companies to participate in the local and long distance telephony markets. Honduras' natural resources are timber, gold, silver, copper, lead, iron ore, zinc, antimony, coal, fish and hydropower. Growth remains dependent on the status of the US economy, its major trading partner, on commodity prices, and on reduction of its high crime rate. Honduras had a population of nearly 7 million in 2004.

We have a 50% economic interest in Telefónica Celular S.A. ("Celtel"). The other shareholders are Motorola Inc. ("Motorola") and Proempres Panama S.A. ("Proempres"). On January 23, 1995, Millicom, Motorola and Proempres entered into a shareholders' agreement to provide a cellular-radio-telephone system in Honduras. Millicom now holds directly 25% of the shares in Celtel and another shareholder holds 25% on Millicom's behalf, with any risks and benefits accruing to Millicom. Although a majority vote is necessary to pass shareholder decisions, the minority shareholders have substantive participation rights, including the right to appoint the president of the board in turn and to vote on certain operating and capital decisions. Millicom therefore accounts for its operation in Honduras as a joint venture.

Celtel acquired 49% of Metrored in February 2005. Metrored is an important data transmission company in Honduras with a fiber optic network totaling 750 kilometers.

In 1996 Celtel was awarded a 10-year cellular license for the Republic of Honduras. Celtel paid a license fee of \$5.1 million to the Honduran government for the license. The license was extended in March 2005 for a period of 17 years at a cost of \$4.8 million.

The operation commenced commercial service in September 1996. Celtel operates both an analog network and a digital network based on the CDMA standard. As of December 31 2004 Celtel's network consisted of 256 cells over approximately 112 sites. As of December 31, 2004 Celtel had about 86,500 GSM users.

Honduras has a calling party pays system. In December 2004 and in light of the governmental program called *Telefonia para todos*, which allows new entrants in certain fixed telephony services, Celtel launched fixed telephony services based on the CDMA technology. As of 31 March 2005, Celtel had about 4,836 fixed telephony customers.

Megatel, majority owned by a local Honduras investor launched a GSM network in October 2003 in urban areas. During 2004, America Movil acquired full control of Megatel. In addition, a third operator may enter the market in early 2006, following the award of a license by the Honduran government. We consider our distribution network to be a competitive advantage compared to our competitors. The international access monopoly in Honduras continues to date and regulation of access charges and interconnection rates by the national telecommunications regulator are in place.



## SOUTH AMERICA

### Background

South America consists of Millicom's cellular operations in Bolivia and Paraguay. Our South American licenses covered approximately 14.9 million people as of December 31, 2004.

### Bolivia

Bolivia made considerable progress in the 1990s toward the development of a market-oriented economy. Successes under President Sanchez de Lozada (1993-97) included the signing of a free trade agreement with Mexico and becoming an associate member of the Southern Cone Common Market, as well as the privatization of the state airline, telephone company, railroad, electric power company, and oil company. Growth slowed in 1999, in part due to government budget policies which limited appropriations for anti-poverty programs and the fallout from the Asian financial crisis. 2003 saw protests and loss of confidence in the government. At the end of 2001, the market was deregulated and local and long distance services were opened to competition. As a result, the competence in the long distance market had grown up and the prices are lower. The cellular market was also opened to competition. 2004 was marked by social conflict. The new Telecommunications Law project, planned to be issued at the time the market was deregulated, will be delayed probably until the end of 2006. Bolivia will remain dependent on foreign aid unless and until it can develop its substantial natural resources which include tin, petroleum, natural gas, zinc, tungsten, antimony, iron, silver, lead gold and timber. Bolivia had a population of about 8.7 million in 2004.

We have a 100% equity interest in Telefonica Celular de Bolivia S.A. ("Telecel"), which has two licenses, one to operate a nationwide cellular telephone network and the second one to operate a national and international long distance network. The licenses are valid until November 2015 and December of 2042 respectively. In December 2001 Telecel signed a 40-year concession to provide long-distance services throughout the country. Telecel started offering national and international long-distance services in February 2002. Although the cellular license was initially awarded to cover only La Paz, Telecel received an extension of the license in 1997 to cover the entire country. The license establishes a "price cap" mechanism for interconnection charges and services between telecommunications operators and provides for charges on the use of frequencies. Telecel pays a concession fee for access to the fixed-line network equal to 1% of the monthly net recurring subscriber revenue generated from the three main cities of La Paz, Cochabamba and Santa Cruz and a regulatory fee to the telecommunications regulatory authority equal to 1% of the total monthly gross recurring revenue.

Telecel operates both an analog network and a digital network based on the TDMA standard. Telecel's cellular coverage includes the nine districts in the country, including La Paz, Santa Cruz (including Puerto Suarez), Cochabamba, Sucre, Beni, Potosi, Tarija, Pando and Oruro. As of December 31, 2004, Telecel's network consisted of 161 cell sites, covering approximately 60% of the population. Telecel is migrating to GSM during 2005.

Bolivia has a calling party pays system.

Telecel has two principal competitors in the cellular telephone market in Bolivia: Movil de Entel, the mobile subsidiary of Entel, which is a joint venture (50%-50%) between Telecom Italia and the Bolivian government; and NuevaTel, a joint venture between All Tel of USA (72%) and a local telephone company (28%). Movil de Entel began providing cellular service in the last quarter of 1996. It operates a GSM network as well as a TDMA network. In 2000, NuevaTel won a license for GSM services which it started providing in 2001. According to EMC, as of December 31, 2003, Telecel had the number two market position behind Movil de Entel. Telecel's distribution and sales network are its primary areas of competition with the other market participants. The telecommunications market in



Bolivia was opened to competition in 2001 when long distance and local services were deregulated. Mobile cellular and personal communications services have been open to competition since 1996. New telecommunications and competition regulations are under discussion and are expected to be issued in late 2006.

Telecel is no longer in breach of financial covenants under its financing agreements. To date, Telecel has made all installment repayments due under these financing agreements.

## **Paraguay**

The 35-year military dictatorship of Alfredo Stroessner was overthrown in 1989 and, despite a marked increase in political infighting in recent years, relatively free and regular presidential elections have been held since then. Paraguay has a market economy marked by a large informal sector. The informal sector features both re-export of imported consumer goods to neighboring countries as well as the activities of thousands of micro-enterprises and urban street vendors. Because of the importance of the informal sector, accurate economic measures are difficult to obtain. A large percentage of the population derives their living from agricultural activity, often on a subsistence basis. The formal economy grew by an average of about 3% annually in 1995-97; but GDP declined slightly in 1998, 1999, and 2000, rose slightly in 2001, falling again in 2002, but recovering growth observed in 2003 (2.9%) and 2004 (2.5%). On a per capita basis, real income has stagnated at 1980 levels. Most observers attribute Paraguay's poor economic performance to political uncertainty, corruption, lack of progress on structural reform, substantial internal and external debt, and deficient infrastructure. The current President, Nicanor Duarte, elected in 2003, has begun a series of reforms to alleviate these weaknesses. Paraguay had a population of about 6.2 million in 2004.

We have a 96% equity interest in Telefónica Celular del Paraguay S.A. ("Telecel Paraguay") and a local partner owns the remaining 4%.

In 1991 Telecel Paraguay was awarded a 800 Mhz license to build, maintain and operate a cellular telephone network. The license now covers the entire country. Telecel Paraguay's license was originally for a 10-year period ending in 2001. In 2000 the license was renewed for a further five years until October 1, 2006, and it is renewable for successive 5-year periods subject to Telecel Paraguay's commitment to further investments. Telecel Paraguay also has a license in the 1900 Mhz spectrum for digital personal communications services (PCS), which covers the whole of Paraguay. The license expires in November 2007. Telecel Paraguay's wireless local loop (WLL) license for data transmission services was renewed on April 20, 2005 and runs until April 2010.

Telecel Paraguay launched its GSM service in 2004 under the regional brand TIGO with strong emphasis on multimedia and data services available on GSM networks.

Telecel Paraguay operates a GSM network while maintaining its analog and TDMA digital networks. As of December 31, 2004, Telecel Paraguay's network consisted of 180 cell sites covering approximately 60% of the population.

Paraguay has a free market in terms of prices for telecommunications services to end users. Interconnection charges between telephone operators, fixed and mobile are negotiated among operators according to specific rules (LRIC, or long run incremental costs) and subject to prior approval from the telecommunications authority. The regulator established a plan for semiannual reductions to interconnection charges up to July 2005, but the impact on Telecel was offset by higher volumes.

The Telecommunications Law of 1995, which governs Paraguay's telecommunications market, provides for the deregulation of telecommunications services. However, there is only one fixed line telephone operator which also holds the exclusive license for international services including telephone

and data. In 2004 the regulator established mandatory registration of all prepaid subscribers by June 2005.

Telecel Paraguay has three competitors in the cellular telephony market in Paraguay: Núcleo, which launched GSM services by the end of 2004 and maintains operational a digital network in the TDMA standard. Telecom Argentina (a subsidiary of TIM) is the largest shareholder; Hola Paraguay (a subsidiary of KDDI Corporation), which operates a GSM network; and Porthable, which operates a GSM network and in which Hutchison Whampoa is the main shareholder. As at December 31, 2004, Telecel Paraguay had the number one market position.

There are also two other licenses that were issued to provide cellular services. The PTT announced that some fixed cellular telephony services would have to be provided in rural areas. The other license is not considered to become used because due to market size and penetration levels the market is not attractive to new entrants.

Telecel Paraguay also provides broadband and dial-up Internet as well as data transmission services in Paraguay under the brand Telesurf.

## AFRICA

### Background

Africa consists of Millicom's cellular operations in Senegal, Tanzania, Ghana, Mauritius, Sierra Leone and Chad. Our African licenses covered approximately 84.9 million people as of December 31, 2004.

### Senegal

In 1994 Senegal undertook an economic reform program with the support of the international donor community. This reform began with a 50% devaluation of Senegal's currency, the CFA franc, which was linked at a fixed rate to the French franc. Government price controls and subsidies have been steadily dismantled. As a result of the reform program, real growth in GDP averaged 5% annually during 1995-2003. Annual inflation was an estimated 3% in 2002-2003 and 2.5% in 2004. Foreign investment was about 16.5% of GDP in 2003. As a member of the West African Economic and Monetary Union, Senegal is working toward greater regional integration with a unified external tariff. Senegal realized full Internet connectivity in 1996, creating a small boom in information technology-based services. Private activity accounted for about 82% of GDP in 2003. In 2005 GDP is expected to grow at about 5%. Senegal still faces a high unemployment rate of nearly 50%. Senegal had a population of nearly 11 million in 2004.

We have a 75% equity interest in SentelGSM. The remaining 25% of SentelGSM is owned by a local businessman, Mr. Pape Abdoul Ba.

In 1998 SentelGSM was awarded a GSM license for the Republic of Senegal. The license, awarded for a period of 20 years, is renewable every five years thereafter. The license required no initial payment but an annual administrative fee of approximately \$100,000, in addition to a \$10,000 annual fee per used channel frequency, must be paid. Since the telecommunications decree of July 2004, backbone utilization fees per used bandwidth and fees relating to the numbering plan have been added, making fees payable to the regulator add up to more than 5% of our revenues.

Our operations commenced in 1999 and we offer mainly a prepaid product. The overall penetration rate rose to about 13.5% during 2004 and we expect it to reach about 16% during 2005.

SentelGSM operates a digital network based upon the GSM standard. As of December 31, 2004, SentelGSM's network consisted of 120 cell sites covering approximately 80% of the population.

Senegal has a calling party pays system.

SentelGSM has only one other competitor in the cellular telephony market in Senegal, Sonatel Mobiles, which is operated by Sonatel Mobile, a branch of Sonatel, the local privatized PTT, and in which France Telecom is a shareholder. Sonatel, the parent of Sonatel Mobiles, is 40% owned by France Telecom, 27.7% by the government of Senegal, 10% by its employees, and 20% of the capital is publicly traded on the Abidjan Stock Exchange (Ivory Coast). Sonatel Mobiles operates a GSM network. According to EMC, as of December 31, 2004, SentelGSM had the number two market position. A third license has been granted. We attempt to differentiate ourselves from our competitors on the basis of price, distribution, and customer service. Since 2002 the government has been offering additional licenses for sale. Changes in interconnection rates were partly implemented in April 2004, unifying almost all interconnection tariffs applicable to Sentel to the same amount.

### Tanzania

Shortly after independence, Tanganyika and Zanzibar merged to form the nation of Tanzania in 1964. One-party rule came to an end in 1995 with the first democratic elections held in the country since the 1970s. Zanzibar's semi-autonomous status and popular opposition have led to two contentious

elections since 1995, which the ruling party won despite international observers' claims of voting irregularities. In 2005 the ruling party will choose a candidate to run in the presidential elections upon the anticipated retirement of the current president. The Tanzanian economy depends heavily on agriculture, which accounts for half of GDP, provides 85% of exports, and employs 80% of the work force even though topography and climatic conditions limit cultivated crops to only 4% of the land area. Industry was traditionally based on the processing of agricultural products and light consumer goods. The World Bank, the International Monetary Fund, and bilateral donors have provided funds to rehabilitate Tanzania's economic infrastructure and to alleviate poverty. Growth in 1991-2002 included a pickup in industrial production and a substantial increase in output of minerals, led by gold. Oil and gas exploration and development played an important role in this growth. Recent banking reforms have helped increase private sector growth and investment. Continued donor support and solid macroeconomic policies supported GDP growth of 5% in 2003 and an estimated 6% in 2004. Tanzania had a population of about 36.5 million in 2004.

As of December 31, 2004 we had a 84.4% equity interest in Millicom Tanzania Limited ("Millicom Tanzania"). Our joint venture partners are Ultimate Communications Ltd., a private Tanzanian company, and a government entity. In February 2004, Millicom acquired an additional 25% equity interest in Millicom Tanzania from the Tanzanian state and subsequently 1% of our holding in Millicom Tanzania was sold to Ultimate Communications Ltd.

In 1993, Millicom Tanzania acquired a 15 year license to operate a cellular telephone network in the United Republic of Tanzania. In November 2003 the term of the license was changed to 25 years. The modified license expires in 2018. Millicom Tanzania pays a royalty of 1% of airtime revenue (reduced from 5% in 2002) and cellular frequency fees based on the allocated number of frequencies, which are dependent upon the number of cell sites. The license was re-issued in 2001 with additional frequency ranges.

Analog cellular service started in 1994 and in September 2000 Millicom Tanzania launched its GSM network. Millicom Tanzania operates both an analog network and a digital network based upon the GSM standard. As of December 31, 2004, Millicom Tanzania's network consisted of 196 cell sites, covering approximately 15% of the population. Millicom Tanzania provides coverage to all major urban areas, a substantial number of rural areas, and the island of Zanzibar. In 2004 coverage was increased in the northern part of the country and the Lake Victoria region.

Tanzania has a calling party pays system.

Millicom Tanzania has two principal competitors in the cellular telephony market in Tanzania: Vodacom Tanzania which operates a GSM network; and Celtel Tanzania, which also operates a GSM network and is a subsidiary of Tanzania Telecommunications Company Limited ("TTCL"), the privatized former PTT. According to EMC, as of December 31, 2004, Millicom Tanzania had the number two market position behind Vodacom Tanzania. We compete with other operators principally on pricing, competitive coverage, and distribution.

The Tanzanian Communications Regulatory Authority ("TCRA") established new interconnection rates in August 2004. This change reduced the interconnection rate for mobile termination until April 1, 2005 when a further reduction was scheduled. Further reductions are scheduled to take place by January 2007. In February 2005 the TCRA introduced a converged licensing framework expected to significantly change the existing regulatory regime. However, current operators received assurances from the TCRA that their current rights would not be adversely affected by the new regulations.

Millicom Tanzania recently won a claim against TTCL in the amount of \$13,000,000 for interconnection charges accrued but not paid prior to the privatization of TTCL. As of December 31, 2004, Millicom had received \$1,400,000 of this amount. Although discussions are continuing regarding payment of the remaining amount, we may never be able to recover the full amount owed to us.

## Ghana

Well endowed with natural resources, Ghana has roughly twice the per capita output of the poorer countries in West Africa. Even so, Ghana remains dependent on international financial and technical assistance. Gold, cocoa, timber, industrial diamonds, bauxite, manganese, fish, rubber, and cocoa production are major sources of foreign exchange. The domestic economy continues to revolve around subsistence agriculture, which accounts for 36% of GDP and employs 60% of the work force, mainly small landholders. Ghana opted for debt relief under the Heavily Indebted Poor Country program in 2002. Policy priorities of the current government include tighter monetary and fiscal policies, accelerated privatization, and improvement of social services. After political instability in the 1960s, a new constitution restoring multi-party politics was approved in 1992. Mostly free and fair elections have been held since the 1980s. Ghana had a population of about 20 million in 2004.

We have a 100% equity interest in Millicom (Ghana) Ltd., having increased our shareholding from 70% to 100% in mid-2002. We granted a call option regarding the 30% equity stake, which may be exercised between June 2005 to June 2007 at an exercise price of \$190,000.

Millicom (Ghana) Ltd, operating under the trade name "Mobitel", has a license to operate analog cellular services throughout Ghana. In 2002 Mobitel obtained a license to operate GSM cellular services throughout the country. In December 2004, the government of Ghana and the country's telecommunications operators signed new license agreements. Our new mobile license has a term of 15 years and is renewable at expiration for 10 more years. The license fee amounts to \$22.5 million payable over six years.

Mobitel commenced operations in 1992 by providing analog cellular services and in June 2002 it successfully launched its GSM network. Mobitel operates both an analog network and a GSM network, which as of December 31, 2004 consisted of a total of 110 cell sites covering approximately 55% of the population.

New interconnection agreements were entered into with Ghana Telecom and all other telecoms operators effective from October 1, 2003, providing for new rates effective from that date. Ghana uses the calling party pays system.

Mobitel has three competitors in the cellular telephony market in Ghana: Ghana Telecom, which operates a GSM network; Scancom Ltd., which also operates a GSM network; and Kasapa (Hutchinson), which operates an analog network. As of December 31, 2004, Mobitel had the number two market position behind Scancom Ltd. Mobitel competes with the other market participants principally on price, value-added services and operating costs.

The liberalization of the Ghanaian telecommunications market occurred in February 2002, following a partial privatization in 1996. The market was further liberalized in 2004 by the award of International Gateway licenses to all eligible operators. The local PTT, Ghana Telecom, is partially privatized, with 30% owned by Telecom Malaysia and the remaining share held by the government. In late 2003, a management contract of Ghana Telecom was awarded to Telenor of Norway.

## Mauritius

Since independence in 1968, Mauritius has developed into a middle-income diversified economy with growing industrial, financial, and tourist sectors. For most of the period, annual growth has been about 5% to 6%. This achievement has resulted in more equitable income distribution, increased life expectancy, lowered infant mortality, and improved infrastructure. Sugarcane is grown on about 90% of the cultivated land area and accounted for 25% of export earnings in 2004. The government's development strategy centers on foreign investment. Mauritius has attracted more than 14,000 offshore entities, many aimed at commerce in India and South Africa, and investment in the banking sector alone has reached over \$1 billion. Mauritius also has a significant textile sector and has enjoyed good

fiscal management on the part of its governments. Mauritius hopes to take advantage of the Africa Growth and Opportunity Act. The government is further encouraging foreign investment in the information technology field.

We have a 50% equity interest in Emtel Limited ("Emtel"). A local partner, Currimjee Jeewanjee & Co. Ltd., owns the remaining 50% of the share capital.

In 1989, Emtel was granted a license, which allows it to operate a cellular telephone system covering the entire island. The license was renewed in 1998 and expires in November 2014.

Emtel commenced operations in 1989 by providing analog cellular services and in 1999 it launched GSM services. Emtel launched the first 3G/UMTS network in Mauritius and Africa on November 29, 2004. Following deregulation, Emtel launched its International Gateway services in April 2004.

As of December 31, 2004, Emtel's GMS and GPRS networks consisted of 97 cell sites covering approximately 98% of the population. Its 3G/UMTS network consisted of 36 sites covering the urban areas of Mauritius, with island-wide coverage to be achieved during 2005.

Emtel pays interconnection charges to Mauritius Telecom and license fees to the regulatory authority, the Information and Communications Technologies Authority ("ICTA"). Emtel's pricing structure is subject to the ICTA's prior approval.

Mauritius introduced the calling party pays system in October 2004.

Emtel has only one other competitor in the cellular telephony market in Mauritius, Cellplus Mobile Communications, a government owned telecommunications company that commenced operations in 1996 and operates a GSM network. A new player, Mahanagar Telecom Mauritius Ltd, is expected to start its operations during 2005 and has been awarded licenses for mobile services, fixed line telephony and international gateway services. According to EMC, as of December 31, 2004, Emtel had the number two market position. Emtel aims to strengthen its product and distribution network relative to the other operators.

## **Sierra Leone**

Since 1991, civil war between the government and the Revolutionary United Front ("RUF") has resulted in the displacement of more than 2 million people (well over one-third of the population), many of whom are now refugees in neighboring countries. After several setbacks, the end of the civil war in Sierra Leone was reached in 1999. With the support of the United Nations peacekeeping force and contributions from the World Bank and international donors, demobilization and disarmament of the RUF and Civil Defense Forces combatants was completed. National elections were held in May 2002 and the government continues to slowly reestablish its authority. However, gradual withdrawal of most of the United Nations peacekeepers from Sierra Leone starting in 2004 and to be completed in 2005, deteriorating political and economic conditions in nearby Guinea, and the difficult security situation in nearby Liberia will present challenges to the continuation of Sierra Leone's stability. Sierra Leone had a population of nearly 6 million in 2004.

Sierra Leone has substantial mineral, agricultural, and fishery resources. However, the economic and social infrastructure is poor and serious social disorders continue to impede economic development following the civil war. About two-thirds of the working-age population engages in subsistence agriculture. Manufacturing consists mainly of the processing of raw materials and of light manufacturing for the domestic market. Plans continue to reopen bauxite and rutile mines shut down during the conflict. The major source of hard currency consists of the mining of diamonds. Other natural resources are titanium ore, bauxite, iron ore and gold. The economic outlook is dependent upon the maintenance of domestic peace and the continued receipt of substantial aid from abroad, which is essential to offset the severe trade imbalance and to supplement government revenues.

We have a 70% equity interest in Millicom Sierra Leone Limited ("MSL ") with the remaining 30% owned by a number of investors.

In August 2000, MSL acquired a nationwide license to provide GSM cellular telephony in Sierra Leone. The license expires in August 2015.

MSL commenced operations in 2001 and operates a prepaid service in all major provinces.

As of December 31, 2004, MSL's network consisted of 15 cell sites covering approximately 35% of the population.

Sierra Leone uses the calling party pays system.

MSL has only one other competitor in the cellular telephony market in Sierra Leone, Celtel Sierra Leone. Additional licenses have been issued and the company expects two new competitors to enter the market in 2005. According to EMC, as of December 31, 2004, MSL had the number two market position. Our present coverage in the major provinces and our extensive dealer network are primary sources of competition relative to other market participants. We believe there is growth potential as the security situation stabilizes.

## **Chad**

Chad endured three decades of ethnic warfare after decolonization as well as invasions by Libya before a semblance of peace was restored in 1990. The government eventually suppressed or came to terms with most political-military groups, settled a territorial dispute with Libya on terms favorable to Chad, drafted a democratic constitution, and held multiparty presidential elections in 1996 and 1997. In 1998, a new rebellion broke out in northern Chad, which sporadically flares up despite two peace agreements signed in 2002 and 2003 between the government and the rebels. Despite movement toward democratic reform, power remains in the hands of a northern ethnic oligarchy. Chad's territory comprises vast desert areas. Its natural resources include petroleum, uranium, kaolin and fish (Lake Chad). Chad had a population of about 9.5 million in 2004.

On November 8, 2004, Mobitel Tchad S.A. (thereafter renamed Millicom Tchad S.A.) was awarded a 10-year license to operate a GSM 900 wireless telephony network in the Republic of Chad. The license is renewable at expiration for another 10-year period. Millicom Tchad is planning to start service in the summer of 2005 and initial coverage will be of the capital city of N'Djamena and its suburbs and the other main cities, such as Moundou, Kome, Abeche.

Chad uses the calling party pays system.

Excluding the national post and telecommunications operator, which also offers GSM services, the only other GSM license has been awarded in 2000 to Celtel.

## **OTHER INVESTMENTS**

### **Tele2 AB (formerly named NetCom AB)**

Tele2 AB is an alternative pan-European telecommunications company offering fixed and mobile telephony, as well as data network and Internet services. In August 2003, Millicom Telecommunications, our wholly owned subsidiary through which we hold our interest in Tele2 AB, issued 5% Mandatory Exchangeable Notes which are exchangeable on or before August 7, 2006 into substantially all of our shares of Tele2 AB. For a more detailed description of the offering and the terms of the 5% Mandatory Exchangeable Notes and the related securities lending arrangement entered into in connection with the offering of the 5% Mandatory Exchangeable Notes, see "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Millicom Telecommunications S.A.'s 5% Mandatory Exchangeable Notes".



As at December 31, 2004, the Company held 6.1% (2003: 6.1%) of Tele2 AB with a market value of \$351,882,000 (2003: \$479,040,000).

The Tele2 AB series B shares underlying the 5% Mandatory Exchangeable Notes have been lent to Deutsche Bank AG London under a securities lending arrangement. Millicom Telecommunications S.A. is obligated to deliver Tele2 AB series B shares upon exchange of the 5% Mandatory Exchangeable Notes even in the event of a failure of Deutsche Bank AG London to redeliver to Millicom Telecommunications S.A. Tele2 AB series B shares.

Tele2 AB is listed on the Stockholm Stock Exchange under TEL2A and TEL2B.

## **Argentina**

In 1998, Millicom obtained a license to provide fixed wireless data, Internet access and fixed telephony services in Argentina. Millicom Argentina SA ("Millicom Argentina"), in which Millicom had a 65% equity interest, launched services in May 2000. The license covers the six largest cities in Argentina, covering approximately 90% of the urban population. Millicom Argentina is focused on providing Internet access and communications for bandwidth intensive applications such as high-speed data transmission and Internet access to small, medium and large sized businesses and home office workers. Millicom sold its 65% equity interest in Millicom Argentina on September 22, 2004.

## **Peru**

In July 2000, Millicom was awarded a 3.5 Ghz license to provide fixed wireless access for data transmission, Internet Access and fixed telephony in Peru. The license covers the main coastal cities and is valid for a 20-year period with renewal for a similar period. This 3.5 GHz frequency is one of three assigned in Peru, leaving one available.

Millicom is focused on providing Internet Access and Data Transmission for businesses and home office workers. Services were launched in January 2001 in Lima and now cover Chiclayo and Trujillo.

Millicom entered into a concession agreement with the Peruvian government in 2002 to provide domestic and international long-distance carrier services in the same cities as the previous concession and the new concession is valid for a 20-year period. We intend to exit our business in Peru.

## **Management Contracts**

In the fourth quarter of 2003 and the first quarter of 2004, Millicom entered into a management agreement and an option agreement with the Rafsanjan Industrial Complex ("RIC") of Iran. Under the management agreement, Millicom provides management services for a network developed and owned by RIC under a build, operate and transfer agreement between RIC and the Telecommunications Company of Iran ("TCI"), an entity controlled by the Iranian government. Under the build, operate and transfer agreement, RIC will build and operate an Iran-wide GSM network for 2 million prepaid customers. During an agreed period which commences on February 9, 2005 and expires on February 9, 2015, RIC will pay a majority of revenues generated by the network to TCI. At the end of the agreed period, ownership of the network will be transferred to TCI without charge. Millicom is paid for its management services by receiving 2.2% of the gross revenues generated by the network. From February 9, 2007, Millicom will receive a minimum annual payment of \$8 million per year. Under to the option agreement, Millicom has an option to acquire from RIC up to 47% before February 9, 2007 of the equity ownership of the company that will operate the network at book value. This company has not yet been formed. Between February 9, 2007 and February 9, 2009, the maximum percentage of equity ownership that Millicom can acquire will be 30% in addition to any shares acquired before that date, provided that the total percentage acquired never exceeds 47%. From February 9, 2007 until February 9, 2009, Millicom will have the right to sell to RIC an amount of



shares not to exceed 17% of the company that will operate the network at the average exercise price paid by Millicom to acquire shares through the exercise of call options.

## Other licenses

Millicom has been actively pursuing further licenses in countries where it has existing cellular networks and strong brand recognition. A fixed wireless license has also been awarded in Venezuela. We do not intend to commence providing services in Venezuela.

## Organizational Structure

Below is a list of Millicom's significant subsidiaries and joint ventures as of December 31, 2004, including the name, country of incorporation or residence and proportion of ownership interest.

Name	Country of residence	Proportion of ownership interest
Cam GSM Company Limited	Cambodia	58.4%
Royal Telecam International Limited	Cambodia	57.0%
Millicom Lao Co., Ltd.	Lao People's Democratic Republic	74.1%
Pakcom Limited	Pakistan	61.3%
Paktel Limited	Pakistan	98.9%
Celltel Lanka Limited	Sri Lanka	99.9%
Comvik International (Vietnam) AB	Vietnam	80.0%
Telefonica Celular de Bolivia SA	Bolivia	100.0%
Telemóvil El Salvador SA	El Salvador	100.0%
Comunicaciones Celulares SA	Guatemala	55.0%
Telefónica Cellular SA	Honduras	50.0%
Telefonica Celular del Paraguay SA	Paraguay	96.0%
Millicom Peru SA	Peru	100.0%
Millicom (Ghana) Limited	Ghana	100.0%
Emtel Limited	Mauritius	50.0%
Sentel GSM	Senegal	75.0%
Millicom (SL) Limited	Sierra Leone	70.0%
Millicom Tanzania Limited	Tanzania	84.4%
Milicom Tchad SA	Chad	87.5%

## Property, Plant and Equipment

We and our operating companies own, or control through long-term leases or licenses, properties consisting of plant and equipment used to provide cellular telephone services. In addition, we and our operating companies own, or control through leases, properties used as administrative office buildings and other facilities. These properties include land, interior office space and space on existing structures of various types used to support equipment used to provide cellular telephone services. The leased properties are owned by private and municipal entities.

Plant and equipment used to provide cellular telephone services consist of:

switching, transmissions and receiving equipment;

connecting lines (cables, wires, poles and other support structures, conduits and similar items);

land and buildings;

easements; and

other miscellaneous properties (work equipment, furniture and plants under construction).

Millicom's principal executive offices are located in Bertrange, the Grand Duchy of Luxembourg, where it leases approximately 522 square meters from a related party, 3C Communications International S.A. The lease is automatically renewable from year to year unless terminated by Millicom or the lessor upon three months advance written notice. The current monthly rent is \$19,450 resulting in an annual total of \$233,400. Water, electricity, heating, cleaning and maintenance and security expenses are included in the rent. Millicom believes that the terms of the lease are no less beneficial than those it would have been able to negotiate with a third party. Millicom believes its principal executive offices are suitable and adequate for its operations.

## **Insurance**

We and our operations maintain the types and amounts of insurance customary in the industries and countries in which we and our operations operate, including coverage for employee related accidents and injuries and property damage. We consider our insurance coverage and that of our operations to be adequate both as to risks and amounts for the business conducted by us and our operating companies.

## **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

*The following discussion should be read in conjunction with, and is qualified in its entirety by reference to our consolidated financial statements and the related notes thereto included in this report. The following discussion should be read in conjunction with "Presentation of Financial and Other Information" and "Selected Consolidated Financial and Operating Data". Except for the historical information contained in this report, the discussions in this section contain forward looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below. See "Forward Looking Statements".*

*Unless otherwise indicated, all financial data and discussions relating thereto in this discussion and analysis are based upon financial statements prepared in accordance with IFRS. See Note 32 of the "Notes to the Consolidated Financial Statements" for certain reconciliations between IFRS and U.S. GAAP.*

## **Overview**

### **Introduction**

We are a global telecommunications operator with a portfolio of investments in the world's emerging markets over which we typically exercise management and voting control. Our strategy of being the low cost provider, focused on prepaid services using mass market distribution methods, has enabled us to continue to pursue high growth while delivering operating profitability.

We have interests in 17 cellular systems in 16 countries, focusing on emerging markets in South and South East Asia, Central and South America and Africa. As of December 31, 2004, the countries where we had cellular operations had a combined population of approximately 408.8 million people which were covered by our licenses (representing the number of people who could receive cellular services under the term of the licenses if the networks covered the entire population). As of December 31, 2004, Millicom had 7,713,201 total cellular subscribers (5,332,259 on a proportional basis) and over 60% of them were GSM subscribers as of December 31, 2004.

As we have established an early presence in most of the markets in which we operate, we have been able to secure our licenses at low cost. Historically, we have been successful in renewing our maturing licenses, generally on terms similar to the original licenses, although we may not be able to do so in the future. For example, the price for the renewal of the licenses of our two operations in

Pakistan was recently set at \$291 million per license. We operate primarily with prominent local business partners through companies over which we typically exercise management control.

Our markets are attractive for cellular services due to the low wireline and cellular penetration. Usage of cellular services has historically been low in the countries in which we operate due to poor or insufficient infrastructure, the high costs of such services and low levels of disposable income. We believe there is a significant opportunity for further growth of cellular services in our markets due to the reduction in the cost of providing cellular services to the consumer, and due to rising disposable personal income levels.

### ***Subscriber Base***

We have consistently achieved strong subscriber growth across our operations. As of December 31, 2004, we had total cellular subscribers of 7,713,201. This represents an increase of 36% from 5,690,542 as of December 31, 2003.

As of December 31, 2004, we had a proportional subscriber base of 5,332,259 which represents an increase of 32% from December 31, 2003.

### ***Revenues***

Our revenues were \$921,466,000 for the year ended December 31, 2004 as compared to \$647,104,000 for the year ended December 31, 2003. Included in total revenues for the year ended December 31, 2004 are revenues of \$148,905,000 (2003: \$39,052,000) from our operation in El Salvador which is re consolidated since September 15, 2003. Included in total revenues for the year ended December 31, 2003 are revenues of \$5,926,000 from our operation in Colombia which was disposed of in February 2003.

Revenues from our continuing operations increased by 42% during the year ended December 31, 2004 compared with the year ended December 31, 2003, reflecting the continued expansion of the subscriber base in continuing operations and the re consolidation of El Salvador. Increases occurred most significantly in airtime revenue.

We derive revenues from the provision of telecom services (such as monthly subscription fees, airtime usage fees, roaming fees, interconnect fees and other telecommunications services), connection fees and equipment sales. In addition, in Vietnam, we derive our revenue through a revenue sharing agreement with a Vietnamese government owned entity that also generates its revenues from the above-described revenue. This revenue-sharing agreement is set to expire on May 18, 2005. We expect our revenues from Vietnam to cease from May 19, 2005. See "*Expiration of BCC in Vietnam*" below.

Revenues from the provision of telecom services increased to 884.2 million in 2004 from \$621.7 million in 2003. This was due to a combination of factors. Firstly, the subscriber base in continuing operations continued to grow. Secondly, the total number of minutes of airtime increased. However, airtime per subscriber decreased as the proportion of prepaid subscribers, whose usage and airtime tends to be lower than that of postpaid subscribers, increased. Thirdly, the average price per minute decreased in 2004. Connection revenues increased to \$11.1 million in 2004 from \$10.2 million in 2003 due to the increase in the number of new subscribers, though in some cases connection fees were reduced to zero as a spur to subscriber growth. Revenues from equipment sales increased to \$26.1 million in 2004 from \$15 million in 2003 following the launch of GSM in certain operations.

We note that a number of our regulators have, or are expected to, reduce interconnection rates. Because we are often one of the larger suppliers of telephone services in the countries we service, this could have the effect of reducing our revenue. Nonetheless, we believe that lower cost to customers may have the effect of expanding our markets over time.

We believe there is a significant opportunity for rapid growth in our markets due to low cellular penetration in economies with high growth potential and substantial pent-up demand for basic voice telephony services. We believe we can grow our subscriber base and revenue by continuing to focus on prepaid services while controlling costs and maintaining our position with postpaid customers. We are developing a number of non-traditional distribution channels in our ventures to expand our market share and reduce our operating costs. There is, however, a risk that, as new competitors enter our prepaid markets and price competition intensifies, our prepaid customers may be more likely to move from one cellular operator to another than our postpaid customers. In that event, we believe our strong service coverage and increasing use of non-traditional distribution channels, competitive tariffs and brand awareness will enable us to compete effectively in our prepaid markets.

### ***Expiration of BCC in Vietnam***

The BCC in Vietnam will expire on May 18, 2005. Vietnam is our largest contributor to revenue. Although we are in negotiations to extend our presence in Vietnam for a significant period of time in the form of a joint stock company, our presence may not be extended on equivalent or similar terms as the current BCC, or our presence may not be extended at all.

It is unlikely that we will be able to consolidate revenues from our Vietnam business after May 18, 2005.

If our presence is not extended on equivalent or satisfactory terms, or at all, our results of operations and financial condition would be adversely affected. If CIV, our Vietnamese subsidiary, is unable to maintain its operations in Vietnam through an agreement or the participation in a joint stock company, its telecommunications services would cease on May 18, 2005. In such event, CIV would no longer generate any revenues from cellular operations in Vietnam. CIV's revenues for the year ended December 31, 2004 and 2003 were \$162,807,000 and \$129,936,000 (18% and 20% of total revenues respectively) and operating profit was \$68,183,000 and \$51,292,000 (27% and 32% of total operating profits respectively). At present, all equipment recorded in CIV's financial statements will be fully amortized on May 18, 2005, at which date legal title to all equipment will be transferred to VMS at a price of \$1. As of December 31, 2004, CIV still needs to disburse, before the end of the revenue sharing agreement on May 18, 2005, approximately \$27.6 million of outstanding capital commitments to VMS under the BCC. An impairment charge of \$16.6 million has been recorded in the first quarter of 2005 to account for the write-down of property, plant and equipment in Vietnam as the BCC expires on May 18. The Vietnam asset impairment is due to a late approval of investments required under the BCC which prevented CIV from generating revenues on these fixed assets.

### ***Costs***

The primary cost of sales incurred by us in relation to the provision of telecommunication services relate to interconnection costs, roaming costs, depreciation and impairment of network equipment.

Our other main operating costs include commissions payable to agents for obtaining customers on our behalf, commissions for selling prepaid cards, advertising and promotion costs, staff costs and depreciation of non-network equipment.

We will continue to seek ways to further reduce our overall cost base by rationalizing our operations. In addition, we expect to realize additional synergies across our multi country operations, such as sharing information, human resources, best practices and technologies and centralized negotiations of financing and of supply contracts for network and equipment handsets.

## ***Effect of Tele 2 AB Shares***

Our net profit (loss) has experienced significant fluctuations in recent years. This fluctuation resulted primarily from gains or losses in the market price valuation of Tele 2 AB series B shares that we hold or disposed of in recent years. See Note 8 of the "Notes to the Consolidated Financial Statements" for information on Millicom's holdings and dispositions of Tele 2 AB series B shares. The variation in the share price of the Tele 2 AB series B shares held by Millicom is recorded under the caption "gain (loss) and valuation movement on investment securities." The Tele 2 AB shares are listed on *Stockholmsbörsen* and have a history of high volatility. Accordingly, we do not believe it is possible to estimate any trend in the future price of the Tele 2 AB shares.

On August 7, 2003, Millicom Telecommunications S.A., Millicom's wholly-owned subsidiary, issued for an aggregate value of SEK 2,555,994,000 (approximately \$310 million) Mandatory Exchangeable Notes which are exchangeable into a maximum of 8,968,400 Tele2 AB series B shares. Millicom Telecommunications S.A. could retain up to 30% of the increase in value of the Tele2 AB series B shares over the designated reference price of SEK 285 per share. Unless otherwise previously redeemed and exchanged or purchased and cancelled, each 5% Mandatory Exchangeable Note will be mandatorily exchanged by Millicom Telecommunications S.A. on August 7, 2006.

The 5% Mandatory Exchangeable Notes include an embedded derivative, which is valued separately. The variation in the value of the embedded derivative is recorded under the caption "fair value movement on financial instruments." The embedded derivative, which reflects Millicom's limited right to participate in the increase in value of the Tele2 AB series B shares, is recorded at fair value, taking into account time and volatility factors. Because the Tele 2 AB series B share price is a primary determinant in the value of the embedded derivative, any valuation movement on the Tele2 share price will be partially offset by a corresponding movement in the value of the embedded derivative.

## ***Upstreaming of Cash***

The continued improvement in the operating and financial performance of our ventures has allowed us to continue to upstream excess cash from our ventures to Millicom. During the years ended December 31, 2002, we upstreamed \$96.7 million, of which \$8.8 million was from divested operations. For the year ended December 31, 2003, we upstreamed \$129.3 million from 14 of the 16 countries in which we operate. For the year ended December 31, 2004, we upstreamed \$171.0 million from 13 of the 15 countries in which we operate.

## ***Divestitures***

We made a significant divestitures in 2004 as part of our debt reduction plan and focus on delivering profitable growth over recent years. These divestitures included our operation in Argentina which was sold in September 2004. We are also in the process of selling our operation in Peru. See "—Investments, Capital Expenditures and Divestments".

## ***Debt Restructuring Plan***

In 2003, we implemented a restructuring plan to substantially improve our liquidity by reducing our net indebtedness and debt service obligations. As of December 31, 2002, we had total consolidated indebtedness of \$1,228,575,000, and our total consolidated net indebtedness (representing total consolidated indebtedness after deduction of cash, cash equivalents and short-term time deposits) was \$1,141,924,000 which required a substantial amount of cash from operations to service our debt. In addition to divesting selected assets (for example, we divested MIC Systems (including Mach), Tele2 AB shares, our operations in the Philippines and our operation in Colombia and Liberty Broadband

Limited), we have undertaken a balance sheet restructuring plan. The restructuring plan included the following steps:

in May 2003, Millicom issued \$562 million principal amount of 11% Senior Notes and \$64 million principal amount of 2% Senior Convertible PIK Notes in exchange for \$776 million principal amount of 13.5% Senior Subordinated Notes;

on August 7, 2003, our subsidiary, Millicom Telecommunications SA, issued for an aggregate value of SEK 2,555,994,000 (approximately \$310 million) 5% Mandatory Exchangeable Notes, which are mandatorily exchangeable into shares of Tele2 AB; and

on August 15, 2003 and September 30, 2003, we repurchased in private transactions \$57 million and redeemed \$110 million, respectively, in aggregate principal amount of the 11% Senior Notes.

on November 7, 2003, Millicom commenced a cash tender offer and consent solicitation relating to all of the \$395,219,000 outstanding principal amount of the 11% Senior Notes, which expired on December 8, 2003.

on November 24, 2003, Millicom issued \$550 million principal amount of 10% senior notes due 2013, which we refer to as the 10% Senior Notes, and issued a notice of redemption in respect of the total remaining outstanding amount of the 13.5% Senior Subordinated Notes. Millicom used approximately \$273 million of the proceeds of the 10% Senior Notes to acquire the outstanding amount of 11% Senior Notes tendered on or prior to December 8, 2003. Millicom issued a notice of redemption with respect to the total remaining outstanding amount of 11% Senior Notes on December 5, 2003, with a redemption date of December 10, 2003. Millicom used approximately \$143.8 million of the proceeds from the 10% Senior Notes to redeem in full the remaining outstanding amount of 11% Senior Notes. Millicom redeemed the 13.5% Senior Subordinated Notes in their entirety on December 29, 2003.

Millicom's total consolidated indebtedness as of December 31, 2004 was \$1,114,413,000 and our total consolidated net indebtedness (representing total consolidated indebtedness after deduction of cash, cash equivalents and short-term time deposits) was \$700,422,000. Of such indebtedness, \$365,006,000 relates to the 5% Mandatory Exchangeable Notes, which are mandatory exchangeable into Tele2 AB B shares and in respect of which no repayment in cash of principal is required. In addition, our interest obligations in respect of the 5% Mandatory Exchangeable Notes have been secured by U.S. Treasury STRIPS, which we purchased with a portion of the net proceeds from the offering of the 5% Mandatory Exchangeable Notes. Our restructuring plan, implemented in 2003, has enhanced our balance sheet and significantly improved our liquidity levels by reducing our debt service obligations.

### ***El Salvador Operations***

On September 15, 2003, Millicom's operation in El Salvador, Telemovil, entered into a share purchase agreement (the "Agreement") with the minority shareholders of Telemovil. The Agreement provided for the acquisition by Telemovil of 30% of its own shares for a consideration of \$70 million (the "Acquisition price") payable over a period of a maximum of 6 years and an annual dividend premium of \$1 million, with a corresponding net present value of \$67,371,000. Of this amount \$16 million was paid in cash at the closing of the transaction. Before full settlement, Telemovil had the ownership interest of 30% of its own shares, whilst the record title remained with an escrow agent for the benefit of the minority shareholders pending final settlement. Based on this Agreement, Millicom regained control and started reconsolidating Telemovil at 100% since September 15, 2003.

On December 1, 2004, Telemovil, Millicom's subsidiary in El Salvador, extended its cellular license in El Salvador. This license which was due for renewal in 2006 will now expire in 2018. The license in El Salvador is amortised over 14 years.





The reconsolidation of El Salvador has positively impacted revenues and we expect that it will continue to contribute to our revenue growth, as Telemóvil is a significant contributor to the revenues generated in Central America. During 2004, the revenues of Telemóvil represented 16% of our total revenues. We have taken steps to increase the profitability of Telemóvil and to bring Telemóvil's operating margin in line with the operations of the Group.

Like other Millicom operations in Central and South America, this year, Telemóvil began changing its network technology to the GSM standard. The aggregate cost of building out this new network, together with capital investments relating to the migration of certain of our existing customers to GSM networks, will be principally financed through operating cash flow and supplier financing.

### ***Completing our Migration to the GSM Standard***

Our GSM subscribers exceeded 60% of our total subscriber base as of December 31, 2004. Our African businesses are fully GSM-based. In Sri Lanka, we operate in parallel a GSM and an ETACS network. In Pakistan Paktel operates GSM and TDMA/AMPS networks in parallel and Pakcom operates only a TDMA/AMPS network. In Latin America we introduced GSM systems in Paraguay, Guatemala, Honduras and El Salvador in 2004. The equipment costs relating to GSM have decreased significantly over the last few years. We believe that GSM will increase our revenues from prepaid minutes and roaming services while lowering our infrastructure and maintenance costs. GSM will also offer our customers greater choice of handsets at a lower cost with improved functionality.

### ***Effect of Exchange Rate Fluctuations***

Exchange rates for currencies of the countries in which our operations operate may fluctuate in relation to the U.S. dollar, and such fluctuations may have a material adverse effect on our earnings, assets or cash flows when translating local currency into U.S. dollars. For each venture that reports in a currency other than the U.S. dollar, a decrease in the value of that currency against the U.S. dollar would reduce our profits while also reducing both our assets and liabilities. To the extent that our operations upstream cash in the future, the amount of U.S. dollars we will receive will be affected by fluctuations of exchange rates for such currencies against the U.S. dollar. The exchange rates obtained when converting local currencies into U.S. dollars are set by foreign exchange markets over which we have no control. We usually do not enter into hedging transactions to limit our foreign currency exposure. Millicom had a net exchange loss for the year ended December 31, 2004 of \$26,796,000 compared to a loss of \$45,602,000 for the year ended December 31, 2003. In 2004 and 2003, the exchange loss was mainly due to the revaluation at the period-end exchange rate of the 5% Mandatory Exchangeable Notes.

### ***Expiration of Telephone Licenses***

In each of our markets we may face competition for business arrangements or licenses from major international telecommunications entities as well as from local competitors. While we have not typically paid significant amounts in connection with our business arrangements or for cellular licenses, the competition for the granting or renewal of business arrangements or licenses is increasingly intense. As such, we anticipate that we may have to pay substantial renewal fees in certain markets, as well as meet specified network build out requirements. We cannot assure you that we will be successful in obtaining or renewing any profit sharing arrangement or cellular telephone licenses, or if they are awarded that they are on terms acceptable to us. In addition, we may need to seek future funding through additional borrowings or equity offerings, and we cannot assure you that such funding will be obtained on satisfactory terms or at all.

We have interests in 16 countries in emerging markets around the world and are subject to government regulation in each market. The governments of the 16 countries differ widely with respect to structure, constitution and stability, but most of these countries lack mature legal and regulatory systems. In the normal course of business, we are involved in discussions regarding taxation, interconnection and tariff arrangements, which may have a significant impact on the long-term economic viability of our operations. To the extent that our operations depend on governmental approval and regulatory decisions, the operations may be adversely affected by changes in the political structure or government representatives in each of the markets in which we operate. Recent political and economic changes have resulted in political and regulatory uncertainty in certain countries in which we operate. We cannot assure you that factors such as these will not have a material adverse effect on our operations in particular countries. For a more complete description of the economic and political environments in the markets in which we operate, see "Information on the Company."

### ***Risk of Liquidation***

Under Luxembourg company law, when companies have accumulated losses equal to or greater than half the amount of their subscribed share capital, a shareholders' meeting must be convened for the shareholders to determine whether or not to liquidate the company. As of December 31, 2003, we had accumulated losses equal to more than half our subscribed share capital. At the shareholders' meeting held on July 7, 2004, the shareholders voted to continue our operations. As of December 31, 2004 we had losses equal to more than half our subscribed share capital. At the next shareholders meeting expected to be held on May 31, 2005, the shareholders will vote on whether to continue or to dissolve the Company.

We may have accumulated losses equal to or greater than half the amount of our subscribed share capital in future years. In such event, our shareholders may vote to dissolve the Company, in which case a liquidator would be appointed. Under Luxembourg law, such liquidator could be any person appointed by our shareholders, including for instance our board of directors. In the event that no liquidator is appointed, the Company's board of directors would be deemed to be the liquidator. The liquidator would be responsible to liquidate the Company in the best possible way. The realization of assets might be in the form of disposal of all of our business collectively, individual ventures, groups of ventures, licenses or any other type of liquidation intended to realize the best value for our shareholders. The realization of assets might in the case of dissolution and liquidation not achieve as high a value as could be obtained if disposed of in the normal course of business.

### **Critical Accounting Policies**

The consolidated financial statements of Millicom and its subsidiaries have been prepared in accordance with IFRS. In compiling these statements, management needs to make assumptions, estimates and judgments, which are often subjective and may be affected by changing circumstances or changes in its analysis. Material changes in these assumptions, estimates and judgments have the potential to materially alter our results of operations. We have identified below those of our accounting policies that we believe could potentially produce materially different results if we were to change our underlying assumptions, estimates and judgments. For a detailed discussion of these and other accounting policies, see Note 2 of the "Notes to the Consolidated Financial Statements".

### ***Basis of Consolidation***

Entities over which we have control are fully consolidated. Entities over which we have joint control are consolidated using the proportional method that combines our proportional share of assets, liabilities, income and expenses. The definition of control is the power to govern the financial and

operating policies of an entity so as to obtain benefits from it and is based on criteria such as the ability to vote through items at the shareholder and board level. The method of consolidation used for each entity is based on management's assessments as to whether they have full or joint control.

Although Millicom owns 70% of the share capital of its operation in El Salvador, due to a dispute which arose with local shareholders, management determined in May 2001 that it was no longer able to exercise a significant influence in the operation and thus that it was more appropriate to show its investment as a long-term asset in the balance sheet under the caption "Investment in securities". As a result of the resolution of this dispute, management determined in September 2003 that it will begin to fully consolidate the operation in El Salvador effective from September 15, 2003 onwards. See "-Results of Operations".

### ***Collectability of Assets***

Management is required to estimate the collectability of trade debtors. As of December 31, 2004, these totaled \$178,656,000, of which management estimated that \$36,684,000 was unlikely to be collected. These estimates are based on knowledge of the local markets, prior credit history and estimates of future cash flows generated from these receivables. The basis for the impairment made will vary between subscribers and amounts due from other telephone companies and are management's best estimates.

### ***Impairment of Non-current Assets***

Millicom records significant intangible and tangible assets relating to cellular and non-cellular operations. Intangible assets mainly relate to goodwill and license values and tangible assets mainly relate to network value recorded as property, plant and equipment. Significant estimates, assumptions and judgments are required to decide the useful expected lives of these assets and whether these assets are impaired. These estimates are made on a regular basis throughout the year as they can be significantly affected by changes in competition, technology and other similar factors. When certain operational, financial or other factors indicate an impairment of value, management evaluates the carrying value of property, plant and equipment as well as other assets including licenses and goodwill, in relation to the operating performance and future cash flows of the underlying assets. When indicated, the impairment losses are measured based on the difference between the estimated recoverable amount and the carrying amount of the asset. Management's estimates of recoverable amounts for the individual asset or, if not possible, the cash-generating unit, are based on prices of similar assets, to the extent available in the circumstances, and the result of valuation techniques. These include net present values of estimated future cash flows and valuations based on market transactions in similar circumstances. 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. Any negative change in relation to the operating performance or the expected future cash flow of individual assets or of a cash generating unit will change the expected recoverable amount of the underlying assets and therefore will decrease the fair value of the underlying assets.

During 2003 and 2004, Millicom entered into and extended discussions concerning the sale of its high-speed wireless data operation in Peru. Following these discussions, Millicom recognized an impairment charge in 2003 of \$3,073,000 in the carrying value of the license in Peru. No additional impairment was booked during the year ended December 31, 2004.

Due to the rollout of GSM networks in Millicom's operations in Latin America and Pakistan as well as the decrease in usage of analog equipment in certain operations in Africa, management assessed the existing equipment for impairment in 2004, recognizing the impairment of assets of \$7,237,000.

Due to revised anticipated lower revenues from non-digital equipment, Millicom recognized an impairment loss of \$4,097,000 over certain network equipment in Africa in 2003. In addition Millicom reversed an impairment loss in South America for an amount of \$1,579,000.

In the year ended December 31, 2002, management identified an impairment of its licenses to operate high-speed wireless data services in Peru and Venezuela and, as a consequence, made a write-down of \$3,034,000 in the value of these licenses. Also, in 2002, Millicom recognized an impairment on both goodwill and license value in its operations in Colombia and Argentina, for respectively \$77,456,000 and \$2,496,000.

### ***Investments in Securities***

Millicom holds significant investments in marketable and non-marketable securities. Marketable securities are carried at fair value with unrealized changes in market value being recorded within the statement of profit and loss under the heading "Gain (loss) and valuation movement on investment in securities". See Note 2 of the consolidated financial statements as of December 31, 2004–Change in Accounting Policy in 2003". Prior to the change in accounting policy for available-for-sale securities on January 1, 2003, where securities classified as available-for-sale were sold or impaired or when there was a significant or prolonged decline in the fair value below acquisition cost, the accumulated fair value adjustments were included in the profit and loss statement as "Gain (loss) and valuation movement on investment in securities". Prior to the change in accounting policy for available-for-sale securities on January 1, 2003, on a regular basis the Company compared the market value of its investments to their cost in order to identify potential impairment issues. In considering whether the investment has been impaired, the Company considered all available evidence such as, among other things, significant financial difficulties of the issuer, breaches or default in loan agreements, the recognition of prior impairment losses on that asset or the extent and duration of a decline in fair value below cost. In 2004, Millicom recorded an unrealized loss of \$127,158,000 (2003: gain of \$246,760,000) resulting from the change in fair value of the Tele 2 AB shares. In 2002, Millicom recorded a loss of \$168,818,000 resulting from the sale of shares and recorded a loss of \$119,138,000 resulting from the prolonged decline in value of the Tele 2 AB shares. During 2002, Millicom recognized an impairment on its investment in Great Universal, Inc. and Modern Holdings Incorporated of \$5,027,000 and \$7,050,000, respectively.

During the period from December 31, 2002 to September 15, 2003, Millicom accounted for its investment in Telemóvil El Salvador as an available-for-sale financial asset because management determined that during that period it did not have control or significant influence over Telemóvil El Salvador as a result of a dispute with local shareholders. Because the shares of Telemóvil El Salvador are not quoted on a public market and management had not been able to obtain reliable financial information since May 2001, management made different estimates to value this investment using different valuation techniques that resulted in a wide range of fair values. Management therefore concluded that estimating a fair value in these conditions was inappropriate. Consequently, the investment in Telemóvil El Salvador was carried at its December 31, 2002 carrying amount until September 15, 2003. On September 15, 2003, Millicom resolved the shareholders dispute with the minority shareholders in Telemovil and as a result, recommenced consolidating Telemovil as from that date.

### ***Revenue Recognition***

Our revenue comprises the following:

Revenues from provision of telecom services—these recurring revenues consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees and other telecommunications services such as data services and short message 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.

Connection revenues—initial connection fees are recognized when charged, i.e. upon initial signing of the contract with customers.

Equipment revenues—these revenues consist of the sale of handsets and accessories. Revenues from these sales are recognized at the time that the item is delivered to the customer.

### ***Functional Currency***

Millicom's functional currency is the U.S. dollar because of the significant influence of the U.S. dollar on its operations. Millicom is located in Luxembourg and its subsidiaries, joint ventures and associated companies operate in different currencies. The functional currency of each subsidiary, joint venture and associated company, where these are foreign entities, is determined in accordance with the requirements of Standing Interpretation Committee No. 19 (SIC 19) "Reporting Currency—Measurement and Presentation of Financial Statements under IAS 21 and IAS 29".

### ***Derivatives***

IAS 39 requires that all financial assets and financial liabilities, including derivatives, be recognized on the balance sheet. Derivatives are initially recorded at cost either in other current assets or other financial liabilities as applicable and then are subsequently measured to fair value through the statement of profit and loss under the caption "Fair value result on financial instruments". Upon adoption of IAS 39 on January 1, 2001, the Company recorded a cumulative negative adjustment related to these derivatives, reflected in shareholders' equity of \$45,264,000.

A derivative embedded in a financial instrument, such as the embedded derivative on the 5% Mandatory Exchangeable Notes in Tele2 AB series B shares, is treated as a separate derivative when its economic risks and characteristics are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would qualify as a derivative, and the combined instrument (derivative and host contract) is not carried at fair value with unrealized gains and losses reported in the profit and loss.

### ***Goodwill***

The excess of cost of an acquisition over our interest in the fair value of the identifiable net assets of the acquired subsidiary, associate or joint venture at the date of transaction is recorded as goodwill and recognized as an intangible asset in the balance sheet. Goodwill is amortized using the straight-line method over its estimated useful life but not longer than 20 years.

At each balance sheet date, we assess whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

Negative goodwill represents the excess of the fair value of our share of the identifiable net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in our plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the identifiable non-monetary assets acquired, is recognized in the income statement over the remaining weighted average useful life of the identifiable acquired depreciable/

amortizable assets; negative goodwill in excess of the fair values of those assets is recognized in the income statement immediately.

### ***Equity Compensation Benefits***

Share options are granted to Directors, management and key employees. Options in 2004 were granted at an exercise price equal to the market price at date of grant plus a mark-up of 10%. Options granted in 2003 and before were granted at an exercise price equal to the market price at date of grant. Options are exercisable in tranches beginning either one year or three years from the date of grant and have either an indefinite term or a contractual option term of a maximum of six years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium. The Group does not make a charge to staff costs in connection with share options

### ***Recent U.S. GAAP Developments***

In December 2004, the FASB issued Statement 123 (revised 2004) ("SFAS 123(R)", "Share-Based Payment." Statement 123(R) replaces FASB Statement 123, "Accounting for Stock-Based Compensation", supersedes APB Opinion 25, "Accounting for Stock Issued to Employees" and amends FASB Statement No. 95, "Statement of Cash Flows." SFAS 123(R) requires all share-based awards to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant-date fair values. The related compensation costs are to be recognized over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits are to be recognized as an addition to paid-in capital and reflected as financing cash inflows in the statement of cash flows. We will adopt the prospective provisions of SFAS 123(R) to new and existing plans as of January 1, 2006. The grant-date fair values of unvested awards that are outstanding on the date of adoption will be charged to expense over their remaining vesting periods. We are assessing the impact that the implementation of SFAS 123(R) will have on our consolidated financial position or results of operations.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement 153 ("SFAS 153"), "Exchanges of Nonmonetary Assets—an amendment of APB Opinion 29." The guidance in Accounting Principles Board Opinion 29 ("APBO 29"), "Accounting for Nonmonetary Transactions," is based on the general principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in APBO 29 included certain exceptions to that principle. SFAS 153 amends APBO 29 to eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance (that is, transactions where future cash flows are not expected to significantly change as a result of the exchange). We will adopt the provisions of SFAS 153 for non-monetary asset exchange transactions after December 31, 2005. We do not expect the adoption of SFAS 153 to have a material impact on our consolidated financial position or results of operations.

In March 2004, the EITF reached a consensus on EITF Issue 03-1 ("EITF 03-1"), "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." EITF 03-1 addresses the meaning of other-than-temporary impairment and its application to investments in debt and equity securities accounted for under Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for certain Investments in Debt and Equity Securities," and to investments in equity securities accounted for using the cost method, as well as new disclosure requirements for investments that are deemed to be temporarily impaired. EITF 03-1 provides a multi-step model for determining whether an impairment of an investment is other-than-temporary, and requires that an impairment charge be recognized in earnings in the period in which an other-than-temporary impairment has occurred based on the difference between the adjusted cost basis of the investment and its fair value at the balance-sheet date. EITF 03-1 requires certain quantitative and qualitative disclosures about unrealized losses



pertaining to certain investments and beneficial interests, in addition to certain disclosures about cost method investments when the fair value of such investments is not estimable at present. While the disclosure requirements for specified debt and equity securities and cost method investments are effective for annual periods ending after December 15, 2003, the FASB has delayed the effective date for the application of multi-step measurement and recognition guidance until issuance of implementation guidance contained in FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." "Since we have recorded a significant impairment on our Tele2 shares as of December 31, 2002, the current cost of these securities is significantly lower than their market value, therefore we do not expect the adoption of EITF No. 03-1 to have a material impact on our consolidated financial position or results of operations.

## **Results of Operations**

Prior to May 1, 2001, our results of operations included our proportionate share of the results of our operation in El Salvador. As of May 1, 2001, due to a dispute with our local partners, we determined that proportional consolidation was no longer appropriate and we began accounting for our operation in El Salvador under the equity method and recorded our investment on the balance sheet under the caption "Investment in associated companies". As of December 31, 2002, the dispute was still ongoing and we determined that we could no longer exercise significant control over our operation in El Salvador and recorded our investment as a long-term asset in the balance sheet under the caption "Investment in other Securities". Accordingly, while our results of operations prior to May 1, 2001 include our proportionate share of the results of our operation in El Salvador, our results of operations for the periods from May 1, 2001 to September 15, 2003 do not include the results of our operation in El Salvador.

On September 15, 2003, Millicom's operation in El Salvador, Telemóvil, entered into a share purchase agreement with the minority shareholders of Telemóvil. The agreement provides for the acquisition by Telemóvil of 30% of its own shares for a consideration of \$70 million payable over a period of a maximum of six years and an annual dividend premium of \$1 million. Of this amount \$16 million was paid in cash at the closing of the transaction. The payment of the acquisition price was guaranteed by Millicom. During this period Telemóvil had an ownership interest in 30% of its own shares, while the record title remained with an escrow agent for the benefit of the minority shareholders pending the final settlement date. Based on this agreement, Millicom regained control and began consolidating Telemóvil at 100% since September 15, 2003. In December 2004, Millicom settled the full acquisition price bringing its legal ownership interest to 100%.

This change in accounting treatment relating to our operation in El Salvador, together with our selected divestitures over recent periods and the implementation of our debt restructuring program as well as the effects of the accounting for the embedded derivative and the valuation movements in investment securities, may limit the comparability of our financial information and operating data. Thus, our historical financial information and operating data may not be indicative of what our results of operations, financial position or cash flows will be in the future.

### ***Years Ended December 31, 2004 and 2003***

Millicom regained control and began consolidating Telemóvil El Salvador at 100% since September 15, 2003. In 2004, our results of operation include 100% of the results of our operation in El Salvador for the entire year ended December 31, 2004 and for 2003, for the period from September 15, 2003 to December 31, 2003 only.

The following table sets forth certain profit and loss statement items for the periods indicated.

	Year Ended		Impact on Comparative	
	December 31,		Results for Period	
	2004	2003	Amount of Variation	Percent Change
(in thousands of U.S. dollars, except percentages)				
Revenues	921,466	647,104	274,362	42%
Cost of sales	(388,334)	(258,002)	(130,332)	51%
Sales and marketing	(122,705)	(87,575)	(35,130)	40%
General and administrative expenses	(127,400)	(108,449)	(18,951)	17%
Gain(loss) from sale of subsidiaries and joint ventures, net	(2,207)	2,213	(4,420)	–
Other operating expenses	(35,225)	(32,776)	(2,449)	7%
Other operating income	3,287	–	–	–
Operating profit	248,882	162,515	86,367	53%
Gain (loss) and valuation movement on investment in securities	(126,957)	246,760	(373,717)	–
Interest expense	(108,534)	(135,172)	26,638	(20)%
Other financial income	–	96,748	(96,748)	–
Fair value result on financial instruments	148,816	(84,578)	233,394	–
Exchange loss, net	(26,796)	(45,602)	18,806	(41)%
Charge for taxes	(58,900)	(52,369)	(6,531)	12%
Net profit for the year	68,241	178,823	(110,582)	(62)%

**Subscribers.** Our worldwide total cellular subscribers increased by 36% to 7,713,201 as of December 31, 2004 from 5,690,542 as of December 31, 2003. Of the total subscribers as of December 31, 2004, 6,739,559, or 87%, were prepaid, an increase of 36% over the 4,956,257 prepaid subscribers as of December 31, 2003. Our proportional subscribers increased by 32% to 5,332,259 as of December 31, 2004 from 4,025,577 as of December 31, 2003. The four largest contributors to subscriber growth in the year ended 2004 were the operations in Vietnam, Ghana, Tanzania and Paktel with a total of 1,255,181 net new subscribers.

**Revenues.** Total revenues for the year ended 2004 were \$921,466,000, an increase of 42% over \$647,104,000 for the year ended December 31, 2003. The increase is mainly due to revenue growth throughout the Group's operations, the reconsolidation of El Salvador since September 15, 2003 offset by the divestment of our operation in Colombia in February 2003. Included in total revenues for the year ended December 31, 2004 are revenues of \$148,905,000 (2003: \$39,052,000) from our operation in El Salvador, and included in total revenues for the year ended December 31, 2003 are revenues of \$5,926,000 from our divested operation in Colombia. The four largest contributors to revenues during the year ended December 31, 2004 were our operations in Vietnam, El Salvador, Guatemala and Pakistan.

**Cost of sales.** Cost of sales increased by 51% for the year ended December 31, 2004 to \$388,334,000 from \$258,002,000 for the year ended December 31, 2003. The increased cost of sales is mainly explained by the growth throughout the operations and the reconsolidation of El Salvador.

**Sales and marketing.** Sales and marketing expenses increased by 40% for the year ended December 31, 2004 to \$122,705,000 from \$87,575,000 for the year ended December 31, 2003. This increase was largely due to the reconsolidation of El Salvador from September 15, 2003 and the growth in operations. Sales and marketing expenses as a percentage of total revenues were 13% and 14% for the years ended December 31, 2004 and 2003 respectively.



*General and administrative expenses.* General and administrative expenses increased by 17% for the year ended December 31, 2004 to \$127,400,000. The increase is largely due to the reconsolidation of El Salvador in September 2003 which had general and administrative expenses of \$14,236,000 for the year ended December 31, 2004 (December 31, 2003: \$4,773,000).

*Gain from sale of subsidiaries and joint ventures, net.* For the year ended December 31, 2004, we made a net loss of \$2,207,000, reflecting mainly the loss on the sale of our operation in Argentina, down from the net gain of \$2,213,000 for the year ended December 31, 2003, resulting from the disposal of our operation in Colombia.

*Other operating expenses.* Other operating expenses increased by 7% for the the year ended December 31, 2004 to \$35,225,000 from \$32,776,000 for the year ended December 31, 2003.

*Operating profit.* Total operating profit for the year ended December 31, 2004 was \$248,882,000, compared with \$162,515,000 for the year ended December 31, 2003 for the reasons stated above.

*Valuation movement on investment in securities.* For the year ended December 31, 2004 valuation movement on investment in securities was a loss of \$126,957,000 representing the variation in the share price of the Tele2 AB shares and the variation in the exchange rate SEK/USD since December 31, 2003. For the year ended December 31, 2003 valuation movement on securities was a gain of \$246,760,000.

*Fair value result on financial instruments.* For the year ended December 31, 2004, the fair value result on financial instruments was a gain of \$148,816,000 representing the change in fair value of the embedded derivative on the 5% Mandatory Exchangeable Notes. For the year ended December 31, 2003, the fair value result on financial instruments was a loss of \$84,578,000.

*Interest expense.* Interest expense for the year ended December 31, 2004 decreased by 20% to \$108,534,000 from \$135,172,000 for the year ended December 31, 2003. This decrease arose primarily from the debt reduction plan that was implemented in 2003.

*Other financial income.* For the year ended December 31, 2003, Millicom realized a gain on the debt restructuring of \$96,748,000 (see Note 18 to the consolidated financial statements as of December 31, 2004).

*Exchange loss, net.* Millicom had a net exchange loss for the year ended December 31, 2004 of \$26,796,000 compared to a loss of \$45,602,000 for the year ended December 31, 2003. In 2004 and 2003, the exchange loss was mainly due to the revaluation at the period-end exchange rate of the 5% Mandatory Exchangeable Notes.

*Charge for taxes.* The net tax charge for the year ended December 31, 2004 increased to \$58,900,000 from \$52,369,000 in the year ended December 31, 2003. This increase is mainly due to the increased profitability of our operations in 2004. The Group's effective tax rate increased from 21% in 2003 to 41% in 2004, mainly as a result of higher non deductible items.

*Net profit for the year.* The net profit for the year ended December 31, 2004 was \$68,241,000 compared to a profit of \$178,823,000 for the year ended December 31, 2003 for the other reasons stated above. For the year ended December 31, 2004, the net profit was mainly affected by the valuation movement on securities of \$(126,957,000) and the fair value result on financial instruments of \$148,816,000. For the year ended December 31, 2003 the net profit was mainly affected by the valuation movement on securities of \$246,760,000 and the other financial income of \$96,748,000 as a result of debt restructuring.

## Years Ended December 31, 2003 and 2002

For the year ended December 31, 2002, our results of operations do not include the results of our operation in El Salvador for the entire 2002 period. For 2003, the results of our operation in El Salvador are included for the period from September 15, 2003 to December 31, 2003. Indeed, Millicom regained control and began consolidating Telemóvil at 100% since September 15, 2003. See "—Results of Operations" above.

The following table sets forth certain profit and loss statement items for the years indicated.

	Year Ended		Impact on Comparative	
	December 31,		Results for Period	
	2003	2002	Amount of	Percent
			Variation	Change
(in thousands of U.S. dollars, except percentages)				
Revenues	647,104	605,186	41,918	7 %
Cost of sales	(258,002)	(259,530)	1,528	(1)%
Sales and marketing	(87,575)	(80,941)	(6,634)	8 %
General and administrative expenses	(108,449)	(186,491)	78,042	(42)%
Gain from sale of subsidiaries and joint ventures, net	2,213	88,814	(86,601)	(98)%
Other operating expenses	(32,776)	(44,725)	11,949	(27)%
Operating profit	162,515	122,313	40,202	33 %
Gain (loss) and valuation movement on investment in securities	246,760	(299,963)	546,723	—
Interest expense	(135,172)	(185,959)	50,787	(27)%
Other financial income	96,748	42,247	54,501	—
Fair value result on financial instruments	(84,578)	(7,858)	(76,720)	—
Exchange loss, net	(45,602)	(23,483)	(22,119)	94 %
Charge for taxes	(52,369)	(22,734)	(29,635)	130 %
Net profit (loss) for the year	178,823	(385,143)	563,966	—

**Subscribers.** Our worldwide total cellular subscribers increased by 42% to 5,690,542 as of December 31, 2003 from 4,002,911 as of December 31, 2002. Of the total subscribers as of December 31, 2003, 4,956,257, or 87%, were prepaid, an increase of 44% over the 3,448,269 prepaid subscribers as of December 31, 2002. Excluding El Salvador, Millicom's total subscriber base increased by 31% from December 31, 2002. Our proportional subscribers increased by 45% to 4,025,577 as of December 31, 2003 from 2,784,187 as of December 31, 2002. Excluding El Salvador, Millicom's proportional subscriber base increased by 28%. The three largest contributors to subscriber growth in the year ended December 31, 2003 were the operations in Pakistan, Vietnam and Guatemala with a total of 738,319 new subscribers. All of our operations experienced growth, except for Bolivia, where the number of subscribers fell due to a delay in our investment.

The subscriber data above excludes subscribers of our divested operations.

**Revenues.** Total revenues for the year ended December 31, 2003 were \$647,104,000, an increase of 7% over the year ended December 31, 2002. The increase is due to revenue growth throughout the Group's operations and the reconsolidation of El Salvador since September 15, 2003, and is offset in part by the divestment of certain operations in the second half of 2002, notably our cellular operation in the Philippines and our interest in Millicom Systems, and the divestment of Colombia in February 2003. Included in total revenues for the year ended December 31, 2003 are revenues of \$5,926,000 from our divested operation in Colombia, and included in total revenues for the year ended December 31, 2002 are revenues of \$31,456,000 from operations divested in 2002 and \$50,506,000 from



our divested operation in Colombia. The three largest contributors to revenues during the year ended December 31, 2003 were our operations in Vietnam, Guatemala and Paraguay.

*Cost of sales.* Cost of sales decreased by 1% for the year ended December 31, 2003 to \$258,002,000. The lower cost of sales is explained by the divestments referred to above but also by lowering costs as a result of the impact of our cost reduction program in 2002 and is, on the other hand, increased by the reconsolidation of El Salvador since September 15, 2003. For the year ended December 31, 2003, our divested operation in Colombia had cost of sales of \$3,725,000, and for the year ended December 31, 2002, our operations divested in 2002 had cost of sales of \$17,596,000 and our divested operation in Colombia had consolidated cost of sales of \$13,763,000. As a percentage of total revenues, cost of sales for operations decreased from 44.7% for the year ended December 31, 2002 to 39.1% for the year ended December 31, 2003.

*Sales and marketing.* Sales and marketing expenses increased by 8% for the year ended December 31, 2003 to \$87,575,000. This increase reflects the reconsolidation of El Salvador since September 15, 2003, the increase in sales and marketing expenses in Millicom's operations and the decrease due to the divestments referred to above, which had consolidated sales and marketing expenses of \$13,956,000 for the year ended December 31, 2002. Sales and marketing expenses as a percentage of total revenues were 13.5% for the year ended December 31, 2003 compared to 13.4% for the year ended December 31, 2002.

*General and administrative expenses.* General and administrative expenses decreased by 42% for the year ended December 31, 2003 to \$108,449,000. The decrease is largely due to the divestments referred to above, which had consolidated general and administrative expenses of \$61,906,000 for the year ended December 31, 2002, including \$41,733,000 related to a license impairment in Colombia.

*Gain from sale of subsidiaries and joint ventures, net.* For the year ended December 31, 2003, we made a net gain of \$2,213,000 from the sale of subsidiaries and joint ventures, down from \$88,814,000 for the year ended December 31, 2002. The net gain in the year ended December 31, 2003 was due almost entirely to the sale of our operation in Colombia.

*Other operating expenses.* Other operating expenses decreased by 27% for the year ended December 31, 2003 to \$32,776,000 from \$44,725,000 for the year ended December 31, 2002. The decrease was mainly due to lower goodwill impairment and amortization in 2003 compared to 2002.

*Operating profit.* Total operating profit for the year ended December 31, 2003 was \$162,515,000, compared to \$122,313,000 for the year ended December 31, 2002 for the reasons stated above.

*Gain (loss) and valuation movement on investment in securities.* The gain and valuation movement on investment in securities for the year ended December 31, 2003 was \$246,760,000 (relating to the change in market price of the Tele2 AB shares). This compares to a loss of \$299,963,000 for the year ended December 31, 2002.

*Interest expense.* Interest expense for the year ended December 31, 2003 decreased by 27% to \$135,172,000 from \$185,959,000 for the year ended December 31, 2002. This decrease arose primarily from the debt reduction plan that was implemented in 2003, as well as the divestment of Millicom's highly leveraged operations in Colombia and the Philippines.

*Exchange loss, net.* Millicom had net exchange losses for the year ended December 31, 2003 of \$45,602,000 compared to losses of \$23,483,000 for the year ended December 31, 2002. In 2003, the exchange loss was mainly due to the revaluation at the year-end exchange rate of the 5% Mandatory Exchangeable Notes resulting in an exchange loss of \$41,820,000. In 2002, the exchange loss was mainly a result of the weakening of the U.S. dollar against the majority of currencies used by the group.

**Charge for taxes.** The net tax charge for the year ended December 31, 2003 increased to \$52,369,000 from \$22,734,000 in the year ended December 31, 2002. This increase is due to the increased profitability of our operations in 2003.

**Net profit (loss) for the year.** The net profit for the year ended December 31, 2003 was \$178,823,000 compared to a loss of \$385,143,000 for the year ended December 31, 2002. This improvement was mainly as a result of the gain (loss) and valuation movement on investment securities (relating mainly to the change in market price of the Tele2 AB shares), which was a gain of \$246,760,000 in 2003 compared to a loss of \$299,963,000 in 2002. The increase in revenues in 2003 and subsequent improved operating profit also had an impact on improving net profit from 2002 to 2003.

## Geographical Segment Information

The table below sets forth our revenue by geographical segment for the periods indicated.

	Year Ended December 31,		
	2004	2003	2002
	(in thousands of U.S. dollars)		
South East Asia	231,802	175,354	140,607
<i>Of which divested</i>	–	–	1,113
South Asia	113,249	105,602	83,133
Central America	305,034	171,321	166,409
<i>Of which divested</i>	–	5,926	50,506
South America	114,006	99,343	111,145
Africa	149,979	84,858	62,011
Other	7,396	10,626	15,671
<i>Of which divested</i>	2,213	2,529	4,936
MIC Systems (divested in 2002)	–	–	28,186
Unallocated items	–	–	41
Inter-segment eliminations	–	–	(2,017)
<b>Total revenues</b>	<b>921,466</b>	<b>647,104</b>	<b>605,186</b>

In the first quarter of 2004 we changed our segmental reporting to reflect the five operational clusters in our group. These are South East Asia, South Asia, Central America, South America and Africa.

## Liquidity and Capital Resources

### Overview

We believe our working capital is sufficient for our present requirements.

As of December 31, 2004, Millicom's total consolidated outstanding debt and other financing was \$1,114,413,000. Of this amount, \$901,635,000 represented Millicom and Millicom Telecommunications S.A. indebtedness and \$212,778,000 represented our consolidated share of the indebtedness of our subsidiaries and joint ventures.

As at December 31, 2003, we had a total consolidated outstanding debt and other financing of \$1,173,408,000. As discussed below, our Bolivian subsidiary, Telecel, entered into refinancing agreements in October and December of 2004 with respect to certain financing agreements that are guaranteed by Millicom. Prior to reaching agreement on these refinancings, Telecel had been in breach of certain financial

covenants contained in each of the three facilities and the outstanding balances had been re-classified as short-term financing. As of December 31, 2003, the principal amount outstanding

under these financing agreements was \$28,765,000, which represents approximately 2.25% of total consolidated indebtedness.

A number of liquidity concerns prompted Millicom to take certain restructuring initiatives in 2003. The main liquidity concerns were:

the service costs of our 13.5% Senior Subordinated Notes which would have required payments in 2003 of approximately \$124 million;

the service costs of the 14.5% Colombian high yield debt which would have required the payment of approximately \$9.8 million; and

the operating losses in certain operations.

Because of these liquidity concerns, we implemented a restructuring plan in 2003 to reduce our debt service obligations. This plan substantially decreased our annual interest payments. Our annual interest expense for the years ended December 31, 2004, 2003 and 2002, were \$109 million, \$135 million, and \$186 million respectively.

Our interest obligations of \$15,490,000 per annum in respect of the 5% Mandatory Exchangeable Notes have been secured by U.S. Treasury STRIPS, which we purchased with a portion of the net proceeds from the offering of the 5% Mandatory Exchangeable Notes, and which will be settled by their sale. STRIPS are securities issued by the Department of the Treasury backed by the credit of the United States of America that represent either interest components or principal components stripped from underlying U.S. treasury obligations under the program of the Department of the Treasury called Separate Trading of Registered Interest and Principal Securities (STRIPS).

In addition, of our consolidated indebtedness, \$365,006,000 (\$327,635,000 in 2003) relates to the 5% Mandatory Exchangeable Notes, which are mandatorily exchangeable into Tele2 AB B shares and in respect of which no repayment in cash is required.

The restructuring program resulted in the debt restructuring described in "Operating and Financial Review and Prospects—Overview—Debt Restructuring Plan" and the sale of certain assets described in the section "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Investments, Capital Expenditures and Divestments".

As at December 31, 2004, we had total consolidated outstanding debt and other financing of \$1,114,413,000 (2003: \$1,173,408,000). Of this amount,

\$536,629,000 (\$536,036,000 in 2003), net of deferred financing fees, was in respect of the 10% Senior Notes;

\$0 (\$50,923,000 in 2003) was in respect of the 2% Senior Convertible PIK Notes;

\$365,006,000 (\$327,635,000 in 2003), net of deferred financing fees, was in respect of the 5% Mandatory Exchangeable Notes—debt component;

\$212,778,000 (2003: \$258,814,000) was in respect of the indebtedness of our operations.

The 2% Senior Convertible PIK Notes were convertible at any time into Millicom common stock at a conversion price of \$2.69 per share (\$10.75 before the February 2004 stock split). On April 26, 2004 Millicom called the entire outstanding amount of 2% Senior Convertible PIK Notes Due 2006 in an aggregate principal amount of approximately \$160,000 for redemption in cash in accordance with the terms of the Indenture covering the 2% Notes. An amount of \$63,371,000 out of the total \$63,531,000 2% Notes was converted into Millicom shares before April 26, 2004. Following these conversions, the total number of outstanding Millicom shares is 89,638,927 shares with a par value of \$1.50 each.



We expect to meet our payment obligations on our outstanding debt through operating income and cash flows from our operations.

At the venture level, we seek, in the long term, to finance the costs of developing and expanding cellular operations on a project-by-project basis. Ventures are typically financed initially by contributions from Millicom in the form of equity and, in some cases, debt. In many cases, we seek to replace such debt with third party financing, which after the initial stages of a venture's development, is typically non-recourse to Millicom. Sources of financing at the venture level have included vendor financing provided by equipment suppliers, project financing from commercial banks and international agencies such as the International Finance Corporation ("IFC") and the Overseas Private Investment Corporation ("OPIC"), bank lines of credit and sales of equity and debt issued by the venture companies.

We seek to obtain financing at a venture level in the relevant local currency so as to limit the impact of currency fluctuations, although this is not always possible.

As of December 31, 2003, Telecel, our Bolivian subsidiary, was in breach of debt covenants under financing agreements signed by Telecel and guaranteed by Millicom. As of December 31, 2003, the principal amount outstanding under these financing agreements was \$28,765,000.

On October 7, 2004 and October 15, 2004, respectively, Telefónica Celular de Bolivia SA ("Telecel") entered into refinancing agreements with the International Finance Corporation ("IFC") and the Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden, N.V. ("FMO"), also known as the Netherlands Development Finance Company, relating to financing agreements having an original principal amount of \$25,000,000 with IFC and \$10,000,000 with FMO. In addition, as at December 2, 2004, Telecel reached agreement with Bayerische Landesbank Girozentrale ("Bayerische") relating to a financing agreement in the original principal amount of approximately \$10,000,000. All three of these financings are guaranteed by Millicom. Prior to reaching agreement on these refinancings, Telecel had been in breach of certain financial covenants contained in each of the three facilities and the outstanding balances had been re-classified as short-term financing. In 2004, the lenders agreed to amend the terms of the loan and Telecel is therefore no longer in breach of covenants.

### ***Cash Flows***

For the year ended December 31, 2004, cash provided by operating activities was \$303,243,000, compared to \$184,322,000 for the year ended December 31, 2003. The increase is mainly due to increased cash flows from operating profits and lower interest payments.

Cash used by investing activities was \$187,147,000 for the year ended December 31, 2004, compared to \$95,551,000 for the year ended December 31, 2003. In the year ended December 31, 2004 Millicom used cash to purchase \$197,873,000 of property, plant and equipment compared to \$86,452,000 for the same period in 2003. Time deposits decreased by \$32,430,000 in 2004 compared to a decrease of \$12,283,000 in 2003.

Financing activities provided total cash of \$149,842,000 for the year ended December 31, 2004, compared with a use of \$(11,638,000) for the year ended December 31, 2003. In the year ended December 31, 2004, we repaid debt of \$155,071,000 while raising an additional \$102,156,000 through financing and \$205,920,000 through the issuance of shares.

The net cash inflow in year ended December 31, 2004 was \$264,552,000 compared to an inflow of \$78,378,000 for the year ended December 31, 2003. Millicom had a closing cash and cash equivalents balance of \$413,381,000 as of December 31, 2004 compared to \$148,829,000 as of December 31, 2003.

For the year ended December 31, 2003, cash provided by operating activities was \$184,322,000, compared to \$67,279,000 for the year ended December 31, 2002. The increase is mainly due to increased operating profits and lower interest payments.

Cash used by investing activities was \$95,551,000 for the year ended December 31, 2003, compared with cash generated by investing activities of \$146,967,000 for the year ended December 31, 2002. The decrease is mainly due to lower proceeds from the sale of subsidiaries and joint ventures and lower proceeds from the disposal of investments in securities in 2003 as well as higher purchases of investment in securities and lower purchases of property, plant and equipment.

Financing activities used total cash of \$11,638,000 for the year ended December 31, 2003, compared with a use of \$199,780,000 for the year ended December 31, 2002. In 2003, as a result of the debt restructuring activities, we repaid debt of \$899,008,000 while raising an additional \$969,607,000 through the issuance of new debt and financing.

The net cash inflow in the year ended December 31, 2003 was \$78,378,000 compared with an inflow of \$14,175,000 for the year ended December 31, 2002. Millicom had a closing cash and cash equivalents balance of \$148,829,000 as of December 31, 2003.

### ***Investments, Divestments and Capital Expenditures***

#### ***Investments***

Millicom will continue to invest in its existing cellular operations, where we believe we can generate attractive returns. In addition, we intend to increase our equity ownership in certain existing ventures through opportunistic buy-outs of local partners. We may participate in consolidation within our markets through the careful evaluation, selection and pursuit of strategic opportunities. We may pursue new license opportunities in our adjacent markets within existing financial guidelines where the investment offers group-wide synergy potential. Such synergies include sharing information and best practices about services, human resources, technologies and market strategies and centralized negotiation of financings and supply contracts for network and subscriber equipment.

In 2004, we set up a subsidiary in Chad which obtained a 10 year GSM license.

On February 5, 2004 Millicom acquired 25% of Millicom Tanzania Ltd from the Government of Tanzania, bringing its ownership to 84.4%. Millicom now fully controls Millicom Tanzania Ltd. In 2003, due to the agreed cancellation of shares in the entity, Millicom increased its holding in its operation in Tanzania from 57% to 59.4%.

On September 15, 2003, Millicom's operation in El Salvador, Telemovil, entered into a share purchase agreement (the "Agreement") with the minority shareholders of Telemovil. The Agreement provided for the acquisition by Telemovil of 30% of its own shares for a consideration of \$70 million (the "Acquisition price") payable over a period of a maximum of 6 years and an annual dividend premium of \$1 million, with a corresponding net present value of \$67,371,000. Of this amount \$16 million was paid in cash at the closing of the transaction. Before full settlement, Telemovil had the ownership interest of 30% of its own shares, whilst the record title remained with an escrow agent for the benefit of the minority shareholders pending final settlement. Based on this Agreement, Millicom regained control and started reconsolidating Telemovil at 100% since September 15, 2003. The legal ownership interest of Millicom remained at 70% until the full settlement. In December 2004, Millicom settled the full acquisition price, bringing its legal ownership interest in the operation in El Salvador to 100%.

In November 2002, we acquired the remaining 30% shareholding in Millicom (Ghana) Limited for a purchase price of \$190,000. We also issued a call option to the former shareholder. The option allows the holder to reacquire the 30% equity stake which he sold to Millicom in 2002. The option is exercisable from June 2005 to June 2007.

During 2002, we increased our ownership in Celcaribe, the operation in Colombia to 95.4% as of December 31, 2002, through partial repayment of Celcaribe's debt, which was treated as a capital increase, and through a capital increase. We subsequently sold our interest in Celcaribe in February 2003.

### *Divestments*

On September 22, 2004, Millicom completed the sale of Millicom Argentina S.A., its high speed wireless data joint venture in Argentina, realizing a loss of \$2,061,000 on net proceeds of \$2,000,000.

Following the restructuring of Millicom's holding in Millicom Lao Co., Ltd in December 2004, Millicom disposed of 3.9% of this operation realizing a net gain of \$55,000.

In 2004, Millicom disposed or liquidated a number of subsidiaries realizing a loss of \$201,000.

In February 2003, we sold our interest in Celcaribe (Colombia) for consideration of \$9,876,000, realizing a gain of \$3,305,000.

In the first half of 2003, we sold 1,044,129 B shares in Tele2 AB to Kinnevik realizing proceeds of \$33,291,000.

Following the sale of our interest in FORA Telecom BV during 2001, we received an additional \$30 million in cash proceeds for the reasons described below. In addition, certain loans for which we were liable were settled at less than their carrying value. The amount realized on these less costs incurred in the acquisition of the licenses, resulted in a net gain of \$30,859,000 in 2002.

In December 2002, we sold our cellular operation in the Philippines for a nominal sum, recognizing a loss of \$35,988,000.

In November 2002, we completed the disposal of MIC Systems, including Mach, realizing a gain of \$87,655,000.

In May 2002, we sold a 17% interest in MIC Systems BV, the parent company of Mach, to Kinnevik for a total consideration of \$17,000,000 in order to make a repayment on the Toronto Dominion financing. In November 2002, we sold our remaining 83% interest in the subsidiaries of MIC Systems BV for a total consideration of approximately \$97,000,000. These proceeds were mainly used to meet our interest obligation on our outstanding 13.5% Senior Subordinated Notes.

During the course of 2002, we sold 8,743,110 Tele2 AB class B shares, recognizing a loss of \$168,818,000. The proceeds were used to make repayments on the Toronto-Dominion financing and to meet our interest obligation on our outstanding 13.5% Senior Subordinated Notes.

## Capital Expenditure

Our capital expenditure by geographical region has been as follows during the periods indicated:

	For the Years Ended		
	December 31,		
	2004	2003	2002
	(in thousands of U.S. dollars)		
South East Asia	32,879	44,839	25,663
<i>Of which divested</i>	–	–	4
South Asia	291,761	13,558	18,777
Central America	65,656	60,762	16,994
<i>Of which divested</i>	–	–	3,307
South America	23,483	9,841	18,514
Africa	76,619	24,028	16,681
<i>Of which divested</i>	–	–	12
Other	3,690	17	9,978
<i>Of which divested</i>	1,164	–	8,208
MIC Systems (divested in 2002)	–	–	774
Unallocated items	4	453	1,254
<b>Total</b>	<b>494,092</b>	<b>153,498</b>	<b>108,635</b>

The main capital expenditures were for the migration to GSM in Central and South America and Pakistan and the expansion of existing networks both in terms of areas covered and capacity as well as acquisition of licenses in Pakistan, Ghana and El Salvador.

We expect to direct our capital expenditures towards the roll out of GSM in Central and South America and Pakistan in 2005, to provide additional capacity to meet expected subscriber demand as well as acquiring and renewing licenses.

### *Gain and Loss on Exchange, Disposal and Write-down of Assets*

Market	Ownership	Approximate Population Covered (millions)	Number of Subscribers	Price(3) (\$ millions)	Debt Assumed by Purchaser	Date of Sale
Argentina	100%	–	–	2.0	–	September 2004
Colombia	95.4%	8.7	237,686	99.0	86.5	February 2003
MIC Systems	100%	–	–	114.0	–	May 2002 and November 2002
Democratic Republic of Congo	50.9%	55.2	–	1.5	–	September 2002
Philippines(1)	40.0%	84.0	29,896	Nominal	29.5(2)	December 2002
Russia	From 20% to 100%	47.5	236,516	110.0	–	November 2001
India–Madras	24.5%	5.7	99,023	21.1	–	September 2001

(1) Millicom had an additional beneficial ownership of 7.9% through intermediary holding companies.

(2) The debt figure above is 100% of the operation's external debt.

(3) Includes debt assumed by purchaser.

### ***Operational Financing***

At the venture level there are a number of significant debt financings, described in detail at "Description of Certain Indebtedness—Operational Financing".

## ***Corporate and Other Debt and Financing***

As of December 31, 2004, we had total consolidated outstanding debt and other financing of \$1,114,413,000 (2003: \$1,173,408,000). 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 \$514,027,000 (2003: \$644,651,000).

Of the total consolidated outstanding debt and other financing,

\$536,629,000, net of deferred financing fees, was in respect to the 10% Senior Notes;

\$365,006,000, net of deferred financing fees, was in respect to debt component of the 5% Mandatory Exchangeable Notes.

\$212,778,000 was in respect to the indebtedness of our ventures.

The 2% Senior Convertible PIK Notes were convertible at any time into Millicom common stock at a conversion price of \$2.69 per share (\$10.75 before the February 2004 stock split). On April 26, 2004 Millicom called the entire outstanding amount of 2% Senior Convertible PIK Notes Due 2006 (the "2% Notes") in an aggregate principal amount of approximately \$160,000 for redemption in cash in accordance with the terms of the Indenture covering the 2% Notes. An amount of \$63,371,000 out of the total \$63,531,000 2% Notes was converted into Millicom common stock before April 26, 2004.

### ***Other non-current liabilities***

As of December 31, 2004, Millicom had other non-current liabilities of \$194,774,000 mainly representing the unpaid portion of license fees of Paktel, one of its operations in Pakistan and Millicom (Ghana) Ltd., its operation in Ghana amounting to \$187,635,000 representing the non-current portion of the net present value of the cash settlements agreed in these licenses.

### ***Current Liabilities***

As of December 31, 2004, Millicom had a total of \$502,543,000 of current liabilities, including \$88,511,000 of current debt and other financing. Management expects a substantial portion of such short-term debt to be extended prior to maturity.

As of December 31, 2003, Millicom had a total of \$399,351,000 of current liabilities, including \$132,664,000 of current debt and other financing. Management expects a substantial portion of such short-term debt to be extended prior to maturity.

### ***Commitments to Purchase Network Equipment within One Year***

As of December 31, 2004, we had commitments to purchase network equipment, land and buildings and other fixed assets with a value of \$91,848,000 from a number of suppliers, of which \$72,479,000 within one year.

As of December 31, 2003, we had commitments to purchase within one year network equipment, land and buildings and other fixed assets with a value of \$39,472,000 from a number of suppliers.

### ***Secured Debt and Financing***

As of December 31, 2004, Millicom's share of the carrying amount of total pledged assets held by operating entities securing Group debt and financing was \$267,391,000 (2003: \$180,227,000) including pledged deposits for \$10,529,000 (2003: \$1,488,000).

The carrying amount of pledged assets held by non-operating entities at December 31, 2004 securing Group debt and financing was \$399,013,000 (2003: \$546,650,000) represented by Tele2 shares, pledged deposits and pledged US Treasury strips.



As of December 31, 2004 the guarantees issued by the Company to cover debt and financing in the operations amounted to \$43,084,000 (2003: \$74,087,000).

### Contractual Obligations

We have various contractual obligations to make future payments, including debt agreements, payables for license fees and lease obligations. The following table summarizes our obligations under these contracts due by period as of December 31, 2004.

	<u>Within 1 year</u>	<u>Within 2-3 years</u>	<u>Within 4-5 years</u>	<u>After 5 years</u>	<u>Total</u>
(in thousands of U.S. dollars)					
Debt (before unamortized financing fees)	88,511	470,402	34,348	554,229	1,147,490
Unpaid portion of license fees	32,347	100,171	24,667	62,797	219,982
Operating leases	7,035	9,823	6,873	9,784	33,515
Financial leases	214	409	428	–	1,051
Capital expenditure	91,848	–	–	–	91,848
Total	219,955	580,805	66,316	626,810	1,493,886

The following table summarizes our obligations under these contracts due by period as of December 31, 2003.

	<u>Within 1 year</u>	<u>Within 2-3 years</u>	<u>Within 4-5 years</u>	<u>After 5 years</u>	<u>Total</u>
(in thousands of U.S. dollars)					
Debt (before unamortized financing fees)	132,664	505,640	15,565	573,074	1,226,943
Operating leases	5,992	8,364	7,369	7,637	29,362
Financial leases	137	23	–	–	160
Capital expenditure	39,472	–	–	–	39,472
Total	178,265	514,027	22,934	580,711	1,295,937

### Off-balance Sheet and Other Arrangements

The Tele2 AB class B shares underlying the 5% Mandatory Exchangeable Notes have been lent to Deutsche Bank AG London under a securities lending arrangement. Deutsche Bank AG London may sell or on-lend the Tele2 AB class B shares it borrowed from Millicom Telecommunications under the securities lending agreement. Deutsche Bank AG London is required to deliver to Millicom Telecommunications such Tele2 AB class B shares upon notice to Deutsche Bank AG London by Millicom Telecommunications, if:

Millicom Telecommunications requires Tele2 AB class B shares to satisfy its obligations from time to time to deliver Tele2 AB class B shares upon exchange of the 5% Mandatory Exchangeable Notes by the noteholders, or

specified bankruptcy related events with respect to Deutsche Bank AG London or defaults in the performance by Deutsche Bank AG London of its obligations under the securities lending agreement have occurred.

Millicom Telecommunications is obligated to deliver Tele2 class B shares upon exchange of the 5% Mandatory Exchangeable Notes even in the event of a failure of Deutsche Bank AG London to redeliver to Millicom Telecommunications Tele2 class B shares. Millicom Telecommunications' obligations in respect of the delivery of those shares are not guaranteed by Millicom. See "Operating and Financial Review and Prospects–Description of Certain Indebtedness–Millicom Telecommunications S.A.'s 5% Mandatory Exchangeable Notes".



Millicom has a number of commitments and contingencies, as described in Note 29 to the consolidated financial statements.

## Description of Certain Indebtedness

### *4% Convertible Bonds*

In December 2004 and January 2005, Millicom raised \$200 million aggregate principal amount of 4% Convertible Bonds due 2010 (the "4% Convertible Bonds"). The closing and settlement date of the 4% Convertible Bonds was January 7, 2005.

The 4% Convertible Bonds are direct, unsecured obligations of Millicom. The rate of interest payable on the bonds is 4% per annum. Interest is payable semi-annually in arrear in equal installments on January 7 and July 7 of each year commencing on July 7, 2005.

Unless previously redeemed or converted, the bonds will be redeemed on January 7, 2010 at their principal amount.

Each bond will entitle the holder to convert such bond into shares or SDRs at the then applicable conversion price at any time on or after February 17, 2005 and up to December 28, 2010.

The initial conversion price will be \$34.86 per share.

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

### *10% Senior Notes*

As of December 31, 2004, the carrying amount of the 10% Senior Notes is \$536,629,000.

On November 24, 2003, Millicom issued \$550 million aggregate principal amount of 10% Senior Notes due 2013. The 10% Senior Notes were issued under an indenture dated November 24, 2003 between Millicom and The Bank of New York, as Trustee (the "10% Senior Notes Indenture").

The 10% Senior Notes are senior, unsecured obligations of Millicom. The 10% Senior Notes bear interest at 10% per annum, payable semiannually in arrears on June 1 and December 1 of each year, with a final maturity on December 1, 2013. The interest on the 10% Senior Notes is payable in cash.

Under a registration rights agreement dated November 24, 2003 we were under an obligation to offer to exchange the 10% Senior Notes issued on that date for notes with identical terms that were registered under the Securities Act of 1933. Because the registration statement for the exchange offer was not declared effective by the date set in the registration rights agreement, a special interest charge was added to the interest rate of 10% of 0.25% from May 23, 2004 to August 20, 2004, of 0.5% from August 21, 2004 to November 18, 2004 of 0.75% from November 19, 2004 to February 16, 2005 and of 1% from February 17, 2005 until March 2, 2005 at which date the registration statement was declared effective and special interest ceased to accrue. Upon closing of the exchange offer on April 4, 2005, Millicom exchanged approximately 99.9% of the 10% Senior Notes for notes with identical terms that were registered under the Securities Act.

At any time and from time to time on or after December 1, 2008, Millicom may redeem the 10% Senior Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date.

12-month period commencing December 1 in Year	Percentage
2008	105.000%
2009	103.333%
2010	101.667%
2011 and thereafter	100.000%



At any time and from time to time prior to December 1, 2006, Millicom may redeem 10% Senior Notes with the net cash proceeds received by it from any sale of its common stock at a redemption price equal to 110% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the 10% Senior Notes (including additional notes, if any, issued under the 10% Senior Notes Indenture); provided that

(1) in each case the redemption takes place not later than 90 days after the closing of such sale, and

(2) not less than 65% of the original principal amount of the 10% Senior Notes (including additional notes, if any, issued under the 10% Senior Notes Indenture) remains outstanding immediately thereafter.

The 10% Senior Notes may also be redeemed at Millicom's option in whole at any time at a price equal to the principal amount thereof, together with accrued and unpaid interest, and other amounts due to the date of redemption, if Millicom (or its successor) becomes obligated to pay certain additional amounts as a result of any change in the laws of Luxembourg (or any successor's jurisdiction) or their respective political subdivisions or taxing authorities, or any change in the application or official interpretation of such laws, which change or amendment becomes effective after the issue date of the 10% Senior Notes (or the date on which the successor assumes Millicom's obligations under the 10% Senior Notes).

The 10% Senior Notes Indenture contains certain covenants that, among others, restrict our ability to:

incur additional debt;

make certain payments, including dividends or other distributions, with respect to our capital stock, or prepayments of subordinated debt;

make certain investments or sell assets;

create certain liens or engage in sale and leaseback transactions;

provide guarantees for certain debt;

enter into restrictions on the payment of dividends and other amounts;

engage in certain transactions with affiliates;

incur indebtedness other than at the Millicom or operating subsidiary levels;

consolidate, merge or transfer all or substantially all our assets; and

enter into other lines of business.

Upon the occurrence of a change of control triggering event, which is defined in the 10% Senior Notes Indenture as a rating decline and change of ownership, holders of the 10% Senior Notes may require Millicom to purchase all or a portion of the 10% Senior Notes at a purchase price of 101% of the stated principal amount of the 10% Senior Notes, plus accrued and unpaid interest, if any, on the 10% Senior Notes to the date of purchase.

Under the 10% Senior Notes Indenture, Millicom may not incur indebtedness unless the "leverage ratio" would be less than 4 to 1. The leverage ratio is the ratio of the consolidated principal amount of net debt outstanding to four times operating income. Even if Millicom ceases to meet the leverage ratio requirement, it may incur debt under several "debt baskets" as set forth in the 10% Senior Notes Indenture.

### ***13.5% Senior Subordinated Notes***

In June 1996, Millicom issued \$962,000,000 principal amount at maturity of 13.5% Senior Subordinated Notes. Millicom redeemed the 13.5% Senior Subordinated Notes in their entirety on December 29, 2003 in connection with the exchange offer and consent solicitation to holders of the 13.5% Senior Subordinated Notes. See "Recent Developments—Results of Tender Offer and Consent Solicitations" and "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Corporate Financing" above.

### ***11% Senior Notes and 2% Senior Convertible PIK Notes***

In May 2003, Millicom issued \$562 million of 11% Senior Notes due 2006 and approximately \$64 million of 2% Senior Convertible PIK Notes due 2006 in exchange for \$776 million of 13.5% Senior Subordinated Notes. The 11% Senior Notes were issued under an indenture dated May 8, 2003 between Millicom and The Bank of New York, as Trustee, and the 2% Senior Convertible PIK Notes were issued under an indenture dated May 8, 2003 between Millicom and The Bank of New York, as Trustee (the "2% Senior Convertible PIK Notes Indenture").

The 11% Senior Notes and the 2% Senior Convertible PIK Notes have been redeemed in full and are no longer outstanding. See "Recent Developments—Results of Tender Offer and Consent Solicitations" and "Operating and Financial Review and Prospects—Liquidity and Capital Resources—Overview".

On March 19, 2004 Millicom formally requested the Trustee of the 2% PIK Notes to call the entire outstanding amount of the 2% PIK Notes for redemption in cash in accordance with the terms of the indenture covering the 2% PIK Notes. On April 26, 2004 Millicom called the entire outstanding amount of 2% Senior Convertible PIK Notes Due 2006 (the "2% Notes") in an aggregate principal amount of approximately \$160,000 for redemption in cash in accordance with the terms of the Indenture covering the 2% Notes. An amount of \$63,371,000 out of the total \$63,531,000 2% Notes was converted into Millicom shares before April 26, 2004.

### ***Millicom Telecommunications S.A.'s 5% Mandatory Exchangeable Notes***

As of December 31, 2004, the carrying amount of the 5% Notes was \$365,006,000.

On August 7, 2003, Millicom Telecommunications, Millicom's wholly owned subsidiary, issued for an aggregate value of SEK 2,555,994,000 (approximately \$310 million) 5% Mandatory Exchangeable Notes, which are exchangeable into Tele2 AB class B shares. The 5% Mandatory Exchangeable Notes may be exchanged either voluntarily at the option of the noteholders or mandatorily by Millicom Telecommunications as described below. The 5% Mandatory Exchangeable Notes will be exchangeable for an aggregate of up to 8,968,400 of the 8,968,414 Tele2 AB class B shares which Millicom beneficially owned through Millicom Telecommunications at the time of the offering of the 5% Mandatory Exchangeable Notes. The number of Tele2 AB class B shares that Millicom Telecommunications is obligated to deliver upon exchange of the 5% Mandatory Exchangeable Notes is based on a formula that takes into account the market price of the Tele2 AB class B shares prior to any exchange. Under the formula, Millicom Telecommunications could retain up to 30% of the increase in value of the Tele2 AB class B shares over the designated reference price of SEK 285 per share. As a result, at August 6, 2006 or earlier, if all of the 5% Mandatory Exchangeable Notes have been redeemed and exchanged prior to that date, Millicom Telecommunications could own up to approximately 23% of the 8,968,400 Tele2 AB class B shares underlying the 5% Mandatory Exchangeable Notes.

The 5% Mandatory Exchangeable Notes bear interest on the U.S. dollar equivalent amount of each note at a rate of 5% per annum. The aggregate U.S. dollar equivalent amount at the time of issuance of the 5% Mandatory Exchangeable Notes was approximately \$310 million.

The 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the noteholder at any time during the period commencing on September 17, 2003 and ending on the 25th trading day prior to August 7, 2006, which is expected to be July 11, 2006. In addition, the 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the holder in the event of certain changes in tax laws and in the event of a takeover offer in respect of Tele2 AB.

Unless otherwise previously redeemed and exchanged or purchased and canceled, each 5% Mandatory Exchangeable Note will be mandatorily exchanged by Millicom Telecommunications on August 7, 2006. If an event of default occurs under the trust deed governing the 5% Mandatory Exchangeable Notes, Millicom Telecommunications will be required to redeem and exchange the outstanding 5% Mandatory Exchangeable Notes in their entirety.

Millicom Telecommunications' obligations in respect of the exchange of the 5% Mandatory Exchangeable Notes have been secured by, among other things:

an assignment of all of Millicom Telecommunications' rights, title and interest in and to the securities lending agreement described below under which Millicom Telecommunications has loaned to Deutsche Bank AG London 8,968,414 Tele2 AB class B shares;

a pledge agreement and a first fixed charge over all Tele2 AB class B shares redelivered to Millicom Telecommunications by Deutsche Bank AG London under the securities lending agreement; and

a fixed charge over Millicom Telecommunications' rights, title and interest in all other property delivered to Millicom Telecommunications by Deutsche Bank AG London under the securities lending agreement.

Millicom Telecommunications has secured its obligations in respect of interest payments under the 5% Mandatory Exchangeable Notes by granting a security interest in certain U.S. Treasury STRIPS which were purchased by Millicom Telecommunications with a portion of the net proceeds of the offering. Millicom Telecommunications may not dispose of such securities without the consent of the trustee under the trust deed governing the 5% Mandatory Exchangeable Notes. Millicom Telecommunications' obligations to pay interest on the 5% Mandatory Exchangeable Notes, including additional amounts payable to noteholders if cash dividends or other cash distributions are made in respect of the Tele2 AB class B shares, have been guaranteed by Millicom. Under the terms of the 5% Mandatory Exchangeable Notes, Millicom Telecommunications will be required to pay to the noteholders an amount equal to the amount of any cash dividend or distribution on the Tele2 AB class B shares underlying the exchangeable notes.

Of the net proceeds of the offering of 5% Mandatory Exchangeable Notes, which amounted to SEK 2,483 million (\$300.3 million), Millicom Telecommunications used \$45.3 million to purchase U.S. Treasury STRIPS for purposes of securing the payment of interest on the 5% Mandatory Exchangeable Notes and approximately \$60 million to repay borrowings under a short-term credit facility which had been used to refinance Millicom Telecommunications' facility with Toronto Dominion Securities.

Based on the securities lending agreement entered into with Deutsche Bank AG London (the "Securities Lending Agreement"), Millicom Telecommunications agreed to lend to and delivered to Deutsche Bank AG London, on or about July 22, 2003, 8,968,414 Tele2 AB class B shares, of which 8,968,400 remain borrowed. Deutsche Bank AG London may sell or on-lend the Tele2 AB class B shares it has borrowed from Millicom Telecommunications under the Securities Lending Agreement, subject to compliance with applicable securities laws. Millicom Telecommunications may require





Deutsche Bank AG London to deliver to it Tele2 AB class B shares by providing requisite notice to Deutsche Bank AG London, if:

Millicom Telecommunications requires Tele2 AB class B shares to satisfy its obligations from time to time to deliver Tele2 AB class B shares upon exchange of the 5% Mandatory Exchangeable Notes by the noteholders, or

specified bankruptcy related events with respect to Deutsche Bank AG London or defaults in the performance by Deutsche Bank AG London of its obligations under the Securities Lending Agreement have occurred.

Under the Securities Lending Agreement, Deutsche Bank AG London has agreed that if any dividends or other distributions are made in relation to the borrowed Tele2 AB class B shares, it shall pay and deliver to Millicom Telecommunications a sum of money or property equivalent to the dividends or distributions. We have been informed by our advisors that, while the issue is not free from doubt, the Securities Lending Agreement may have inadvertently resulted in a technical breach of certain negative covenants relating to transfers of assets contained in the respective indentures governing the 11% Senior Notes and the 2% Senior Convertible PIK Notes. On November 13, 2003, we announced that, under a tender offer and consent solicitation in respect of the 11% Senior Notes and a consent solicitation in respect of the 2% Senior Convertible PIK Notes, we had received the requisite consents of the holders of the relevant notes to the waiver of this possible past default arising from the 5% Mandatory Exchangeable Notes and the Securities Lending Agreement. See "Recent Developments-Results of Tender Offer and Consent Solicitations".

### ***Other Debt***

A portion of Millicom's share of the indebtedness of its operations is secured by pledged assets, pledged deposits issued to cover letters of credit and guarantees. 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 \$514,027,000 (2003: \$644,651,000). As of December 31, 2004 the guarantees issued by the Company to cover debt and financing in the operations amounted to \$43,084,000 (2003: \$74,087,000).

### ***Operational Financing***

#### *Bolivia*

Telecel financed the expansion and further digitalization of its cellular network and refinanced existing debt by borrowings under:

a loan agreement dated June 1, 2001 with the IFC. The loan agreement provides for facilities of up to \$25,000,000 and is comprised of three term loan facilities, which we refer to as the A Loan, the B Loan and the C Loan. The A Loan was in the amount of \$10,000,000, the B Loan was in the amount of \$10,000,000 and the C Loan was in the amount of \$5,000,000. The C Loan is subordinate and junior in right of payment to the senior debt of Telecel, including the A Loan and the B Loan. Telecel borrowed the full amount under each loan. Each loan bears interest at LIBOR plus 3.00%. Certain additional interest amounts are payable in respect of the C Loan. Payments of principal and interest in respect of the A Loan, as amended in a letter dated October 7, 2004, are repayable in semiannual installments beginning on December 15, 2002 and ending on December 15, 2007. Payments of principal and interest in respect of the B Loan are repayable in semiannual installments beginning on December 15, 2002 and ending on December 15, 2006. Payments of principal and interest in respect of the C Loan are repayable on December 15, 2007. The loan agreement contains financial covenants, including covenants to maintain minimum ratios of senior debt to EBITDA, long-term debt to debt service coverage and senior debt to equity.

a loan agreement dated June 11, 2001 with the FMO. The loan agreement provides for facilities of up to \$10,000,000. The loan bears interest at LIBOR plus 3.0%. In September 2003, Telecel and FMO entered into an amendment to this agreement whereby the interest charged for the period between April 1, 2002 and June 16, 2003 and for the period beginning June 17, 2003 was increased by .75% and 2.00%, respectively. Payments of principal and interest in respect of the loan, as amended further to a letter dated October 15, 2004, are repayable in semiannual installments beginning on December 15, 2002 and ending on December 15, 2006. The loan agreement contains the same covenants to maintain certain financial ratios as the loan with the IFC.

a loan agreement dated November 5, 2001 with Bayerische. The loan agreement provides for facilities of up to \$10,361,228 and is comprised of two term loan facilities, which we refer to as Tranche I and Tranche II. The loan bears interest at LIBOR plus 0.90%. Each loan is repayable in 10 equal, consecutive semiannual installments, the first of which was paid on June 15, 2002. The loan agreement contains the same covenants to maintain certain financial ratios as each of the loans with the IFC and the FMO.

Millicom has guaranteed each of these loans, and debt owed by Telecel to Millicom is subordinated in right of payment to the loans. As security for its obligations under these loans, Telecel has also granted a security interest in respect of certain of its assets.

On October 7, 2004 and October 15, 2004, respectively, Telecel entered into refinancing agreements with the International Finance Corporation ("IFC") and the Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden, N.V. ("FMO"), also known as the Netherlands Development Finance Company, relating to financing agreements having an original principal amount of \$25,000,000 with IFC and \$10,000,000 with FMO. In addition, as at December 2, 2004, Telecel reached agreement with Bayerische Landesbank Girozentrale ("Bayerische") relating to a financing agreement in the original principal amount of approximately \$10,000,000. All three of these financings are guaranteed by Millicom. Among other things, the financing requires the company to maintain certain financial covenants such as a debt ratio, long-term debt service coverage, and debt-to-equity ratio. As of December 31, 2003, the company was in breach of certain covenants on the IFC, FMO and Bayerische loans and the outstanding balances had been reclassified as current financing. In 2004, the lenders agreed to amend the terms of the loan and Telecel is therefore no longer in breach of any covenants and has accordingly reclassified the non-current portion of the outstanding balances to non-current other debt and financing. The IFC and FMO financing bear interest at LIBOR plus 3.75% and the Bayerische financing bears interest at LIBOR plus 1.15%.

As of December 31, 2004, \$21,048,000 (2003: \$28,765,000) was drawn down related to these financings. These financings have helped to fund the expansion and further digitalization of the Group's mobile cellular telecommunications network in Bolivia. These financings are repayable in tranches until 2007.

### *Guatemala*

In connection with the purchase of GSM equipment, Millicom's operation in Guatemala entered into a facility agreement in September 2003 with a syndicate of banks led by Banco G&T Continental. The facility agreement provides for a seven-year term loan facility in a maximum aggregate principal amount of Quetzal 400,000,000 of which 320,000,000 were drawn down (\$41,261,000). Amortization payments are payable semi-annually in the fixed amount of Quetzal 33,333,000 each and are scheduled to begin in March 2006. For the first year of the loan interest was fixed at an annual rate of 8.00% after which it became subject to semi-annual adjustment and as at December 31, 2004 was 8.75%. As of December 31, 2004, the Group share of debt was \$22,694,000 (2003: \$21,945,000).

The facility agreement contains financial covenants, including covenants to maintain minimum debt to earnings before interest, tax, depreciation an amortization and debt service coverage ratio, as well as negative covenants that restrict Comcel's ability to, among others things, pay dividends.

#### *El Salvador*

In November 2004, Telemovil entered into a \$40,000,000 five year loan from a syndicate consisting of ABN Amro, Citibank and Scotiabank. This loan bears interest for the advances in U.S. dollars at 3 month LIBOR plus 2.5% and is repayable over 18 quarterly installments commencing in 2005. As of December 31, 2004 \$40,000,000 of this facility was outstanding.

As of December 31, 2003 a loan of \$51,517,000 was outstanding relating to the acquisition by Telemovil El Salvador of 30% of its own shares. This amount was fully repaid in 2004.

#### *Pakistan*

In 2003, Pakcom entered into a long-term financing agreement with National Bank of Pakistan for an amount of PKR 1,250 million (\$21,035,000) bearing interest at the six month Pakistani Treasury Bill plus 2.4% (approximately 6.2% for the year ended December 31, 2004) repayable in equal installments until 2007. In 2004, Pakcom signed a three year loan agreement for PKR 250,000,000 (\$4,207,000) from UBL Bank. The loan bears interest at the six month Pakistani Treasury Bill plus 2.5% (approximately 6.3% for the year ended December 31, 2004). This loan is repayable in 2007.

During 2003 Paktel entered into a Sale and Purchase Agreement of its existing and future receivables with SPV Limited, a special purpose vehicle incorporated in Pakistan. The total receivables sold amount to PKR 1,308 million (\$22.9 million) and their acquisition price amounts to PKR 990 million (\$17.3 million). SPV Limited has financed this acquisition by the issuance of Term Finance Certificates ("TFC") that have been underwritten by financial institutions for an aggregate amount of PKR 840 million (\$14.7 million) and by Pakcom for an amount of PKR 150 million (\$2.6 million). As Millicom bears the risks associated to this financing transaction, we consolidate SPV Limited. As of December 31, 2004, the amount of TFC was \$7,860,000 (2003: \$15,612,000) and the corresponding net liability was \$5,759,000 (2003: \$10,555,000).

In November 2002, Pakcom signed a syndicated finance agreement for an aggregate of Rupees 800 million (approximately \$13,700,000). For this agreement, Faysal Bank Limited acts as security agent and Standard Chartered Bank acts as facility agent. The facility is repayable in monthly installments until December 31, 2004 and bears interest at the State Bank of Pakistan discount rate plus 1.75%, with a floor rate of 11.75%. As security for its obligations under the agreements, Pakcom has assigned certain receivables from PTCL and created a first charge by way of hypothecation in favor of the security agent on certain of Pakcom's present fixed assets.

#### *Sri Lanka*

In 2004, ABN Amro arranged a six year syndicated loan of LKR 2,000,000,000 (\$19,143,000) for Celltel Lanka Limited of which LKR 900,000,000 (\$8,614,000) was drawn down as of December 31, 2004. One tranche, representing LKR 427,000,000 is guaranteed and carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 0.75% (approximately 8.15% for the year ended at December 2004). The unsecured tranche carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 3%. The company will repay the loan between 2006 and 2009.

#### *Tanzania*

In June 2003, Millicom Tanzania entered into a syndicated term loan facility agreement with Standard Chartered Bank Tanzania Limited as arranger, under which Millicom Tanzania may borrow up

to an aggregate of \$15,000,000 (\$6,000,000 million in U.S. dollars and \$9,000,000 in Tanzania Shillings). This facility bears interest at, in the case of advances under the facility in U.S. dollars, LIBOR plus 4.50% and, in the case of advances in Tanzania Shillings, at the Treasury Bill Rate plus 4.50%, provided that, in the case of advances under the facility in Tanzania Shillings, the minimum applicable interest rate will be 12.00% per annum. As security for its obligations under the agreement, the agreement provides for a fixed and floating charge over Millicom Tanzania's assets. In 2004, the aggregate amount of the facility was increased by \$7,689,000 (TZS 8,000,000,000). As of December 31, 2004, \$19,097,000 (2003: \$13,173,000 representing a group share of \$7,819,000) of this facility was outstanding.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### Board of Directors

#### Directors

Millicom's directors are as follows:

Name	Position	Independent	Year Elected	Date of Expiration of Term
Vigo Carlund	Member	No	2002	May 2005
Donna Cordner	Member	Yes	2004	May 2005
Ernest Cravatte	Member	Yes	2003	May 2005
Lars-Johan Jarnheimer	Member	No	2001	May 2005
Daniel Johannesson	Chairman	Yes	2003	May 2005
Raymond Kirsch	Member	Yes	1994	May 2005
Michel Massart	Member	Yes	2003	May 2005
Cristina Stenbeck	Member	No	2003	May 2005

*Daniel Johannesson*, age 62, non-executive Chairman of the Board, held a number of executive positions at major Swedish companies including Senior Executive of the construction company Skanska, where he was responsible for their telecommunications and facilities management interests, and Chief Executive Officer of Investment AB Kinnevik and national railway operator, SJ.. On March 8, 2004, Mr. Johannesson was elected as Chairman of the Board of Directors of Millicom.

*Vigo Carlund*, age 58, non-executive member, has worked for the Kinnevik Group since 1968. He previously was Vice President of Investment AB Kinnevik and became CEO in May 1999. He is also Chairman of Transcom WorldWide S.A., Metro International S.A. and Korsnas AB. He was elected to the Board of Millicom in 2002 and is also a director of Tele2 AB.

*Donna Cordner*, age 48, non-executive member, was appointed as Board member of Millicom in May 2004. She is the former 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 U.S. and Europe, including as the Director of ABN's Latin America Telecommunications Project Finance and Advisory Group. Mrs. Cordner is currently CEO of HOFKAM Limited, which is the largest rural microfinance company in Uganda.

*Ernest Cravatte*, age 55, non-executive member, is a practicing lawyer in Luxembourg and a former member of the Executive Management of Banque Generale du Luxembourg. He has also held positions on various banking supervisory committees.

*Lars-Johan Jarnheimer*, age 45, non-executive member, was elected to the Board in May 2001. He has been President and CEO of Tele2 AB since March 1999, and previously was Vice President of Investment AB Kinnevik.

*Raymond Kirsch*, age 63, non-executive member, is the Chairman of the Luxembourg Stock Exchange and the former President and Chief Executive Officer of Banque et Caisse d'Epargne de L'Etat Luxembourg. He became a director of Millicom in May 1994.

*Michel Massart*, age 53, non-executive member, was elected to the Board in May 2003. Up to June 2002, he was a Partner of PricewaterhouseCoopers in Belgium, where he set up the corporate finance department in 1997, and was a former member of the Board of the Institute of Statutory Auditors. He is professor at Solvay Business School in Brussels, Belgium.

*Cristina Stenbeck*, age 27, is Vice Chairwoman of the Board of Directors of Investment AB Kinnevik and Metro International, and a member of the Board of Directors of Modern Times Group, Tele2 AB and Transcom WorldWide S.A.

### ***Board Practices***

The Board has developed and continuously evaluates its work procedure in line with the developments of good corporate governance in the United States and in the European Union regarding reporting, disclosure and other requirements applicable to listed companies, particularly the listing rules of the NASDAQ National Market, OMX Stockholm (*Stockholmsbörsen*, the Stockholm stock exchange) on which Millicom is listed since March 30, 2004) and the Luxembourg Stock Exchange. The Board's work procedure also takes into account the requirements of the U.S. Sarbanes-Oxley Act of 2002 to the extent it applies to foreign private issuers.

At the Annual General Meeting of Shareholders in May 2004, Mrs. Donna Cordner was elected as a new Board member. Mr. Hakan Ledin, former Chairman of the Board, passed away in March 2004 and Mr. Daniel Johannesson was elected as his successor.

The Board met 14 times during 2004.

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

- the Audit Committee,
- the Compensation Committee,
- the Nominations Committee.

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 the Chairman each year. The Board also evaluates yearly the work 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 a committee so that it may resolve a specific matter on its own without having to go before the full Board for approval.

*Audit Committee.* Millicom's directors have established an Audit Committee that convenes at least four times a year, comprising three directors, Mr. Michel Massart (Chairman and financial expert), Mr. Ernest Cravatte and Mr. Raymond Kirsch. 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 Millicom's 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 Millicom's annual and quarterly financial reports and accounts remains with the Board. The Audit Committee met 10 times during 2004 and Millicom's auditors participated in each such meeting.

*Compensation Committee.* Millicom's directors have established a Compensation Committee comprising Mr. Johannesson (Chairman of the committee), Mrs. Cordner, Ms. Stenbeck and Mr. Carlund. 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 grant of stock options are recommended by the CEO, reviewed by the Compensation Committee, the Nominations Committee and the Board and approved by the shareholders at the AGM.

*Nominations Committee.* Following the Annual General Meeting of Shareholders of May 2004, a Nominations Committee was established comprising Ms. Stenbeck (Chairwoman), Mr. Johannesson and Mr Carlund. 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 reviews and recommends the director's fees which are approved by the shareholders at the AGM.

*Corporate Policy Manual.* The Board has adopted the Corporate Policy Manual, Millicom's central reference for all matters relating to its corporate governance policy. Regional policies that are more stringent or detailed than those set out in the Manual may be adopted if necessary. The Code of Ethics is a part of the Corporate Policy Manual. All senior executives, as well as every member of the Board, must sign a statement acknowledging that they have read, understood and will comply with the Code of Ethics.

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

## Senior Management

Name	Position
Marc Beuls	President and Chief Executive Officer
Mikael Grahne	Chief Operating Officer
Muhammed Akhtar Zaman	Business Development–Asia
Won-Suck Song	Executive Vice President–Operations
Bruno Nieuwland	Chief Financial Controller
Judy Tan	Chief of Finance–Global Operations
Iain Williams	Manager–South Asia
Simon Perkins	Manager–South East Asia
Mario Zanotti	Manager–Central America
Ricardo Maiztegui	Manager–South America

*Marc Beuls*, age 48, President and Chief Executive Officer, was promoted to his current position in January 1998 from his position as Senior Vice President Finance. Mr. Beuls joined Millicom in March 1992. Prior to joining Millicom he held several positions with Generale Banque Belgium, both as branch manager and senior trade finance manager for emerging markets. Mr. Beuls is also a non-executive director of Tele2 AB and a non-executive director at Banque Invik.

*Mikael Grahne*, age 52, joined Millicom in February 2002, having previously been President of Seagram Latin America. Prior to joining Seagram, he held various senior management positions at PepsiCo and at Procter & Gamble. Mr. Grahne has an MBA from the Swedish School of Economics in Helsinki.

*Muhammed Akhtar Zaman*, age 50, has been serving as Senior Executive Vice President of Millicom since 1996 and is responsible for business development for the Asia Pacific region. He joined Millicom in 1993 as President and CEO of Comvik International Vietnam AB.



*Won-Suck Song*, age 38, was appointed to his current position in October 2002. 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.

*Bruno Nieuwland*, age 34, joined Millicom in December 2003. He was previously Senior Manager with Ernst & Young. He became a chartered accountant in Luxembourg in 1998 and was a member of the quality control commission at the IRE (institute of chartered accountants in Luxembourg). He obtained a degree in finance at Solvay Business School, Brussels.

*Judy Tan*, age 33, joined Millicom in 1998 with responsibility for the Asian operations. She was appointed to her current position in November 2002 with responsibility for all operating ventures. She qualified as a Certified Public accountant with PricewaterhouseCoopers, Singapore and has an MBA from Imperial College, London.

*Iain Williams*, age 41, has been with Millicom since 1996, previously as Vice-President Operations for Sanbao (Millicom Asia) and initially as the first CEO of Millicom's Cambodian operation, CamGSM. Prior to this he held various senior international commercial and general management roles with Coats Viyella. Iain Williams is also our Country Manager in Pakistan and the CEO of Pakcom. He has a Masters in Economics from St Andrews University.

*Simon Perkins*, age 45, joined Millicom in May 2000 as CEO for Comvik Vietnam. Prior to this he held various senior operational management positions within British Telecom with extensive experience gained in Asian countries. Simon Perkins is a chartered engineer, with an Honours degree in Electronic Engineering from Loughborough University UK and an MBA from Warwick University UK.

*Mario Zanotti*, age 42, joined Millicom in 1992 as a General Manager of Telecel 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.

*Ricardo Maiztegui*, age 42, joined Millicom in 1998 as Managing Director of Telecel Paraguay. Prior to joining the Company 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 in Physics from Universidad de Buenos Aires.

## **Remuneration of Directors and Senior Executives**

### ***Principles***

The remuneration of the members of the board of directors of the Company (the "Board") is comprised of an annual fee and stock options. The annual fee and the number of stock options granted are proposed by the Board and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

The remuneration of the President and Chief Executive Officer (the "CEO") and other senior executives comprises an annual base salary, bonuses, stock options, other benefits and social security contributions. The CEO also receives a pension contribution. "Other senior executives" includes the Chief Operating Officer, the Senior Executive Vice President, the Executive Vice President-Operations, the Chief Financial Controller, the Chief of Finance-Global Operations, the Cluster Managers for South East Asia, South Asia, Central America and South America. The bonus and stock options programmes are based on actual performance (including individual and Company performance). Options are granted once a year by the Shareholders at the AGM following the recommendation of the Board. For 2004, the annual base salary and other benefits of the CEO was approved by the Chairman

of the Board, and the annual base salary and other benefits of other senior executives was set by the CEO. The bonus for 2004 for senior executives was approved by the Compensation Committee. For 2005, the remuneration of all senior executives is approved by the Compensation Committee composed of four members of the Board.

### ***Remuneration and Pensions***

#### *2004*

The remuneration charge for 2004 of the Chairman of the Board (the "Chairman") was \$56,000 and a total of \$315,000 for the other members of the Board. In 2004, 20,000 stock options were granted to the Chairman and 120,000 to the other members of the Board at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the Chairman held 20,000 stock options and the other members of the Board held 465,600 stock options.

The total salary of the CEO in 2004 was \$1,988,000, including a bonus of \$497,300. The pension insurance charge of the CEO for 2004 amounted to \$1,370,000 of which \$396,000 related to the 2004 service cost and interest and \$974,000 represented the difference between the actuarial liability and the plan assets. Future contributions to the pension insurance of the CEO are based on a service cost and interest paid to a third party insurance company. The yearly contribution is based on the projected entitlement at the time of retirement and is based on an average of the annual base salary of previous years and length of service with the Company. As of December 31, 2004, the pension actuarial liability amounted to \$3,827,000 and the pension plan assets amounted to \$2,853,000. The net pension liability of \$974,000 is recorded under the caption "Other non-current liabilities". In 2004, 50,000 options were granted to the CEO at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the CEO held 1,561,100 stock options.

The remuneration charge for the other senior executives (9 executives) for 2004 was a total of \$3,612,300, which included bonuses totaling \$953,700 and other benefits totaling \$682,800. No contributions to any pension funds were made for other senior executives. In 2004, 152,100 options were granted to the other senior executives at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the other senior executives held a total of 710,000 stock options.

#### *2003*

The remuneration for 2003 of the Chairman was \$96,000 and a total of \$247,500 for the other members of the Board. In 2003, 34,000 stock options were granted to the Chairman and 136,000 to the other members of the Board at an exercise price equal to the market price at date of grant. As of December 31, 2003, the Chairman held 634,000 stock options and the other members of the Board held 368,700 stock options.

The remuneration charge of the CEO during 2003 was \$1,749,000 of which bonus amounted to \$606,000. The pension insurance cost of the CEO for 2003 amounted to \$1,636,000. In 2003, 600,000 options were granted to the CEO at an exercise price equal to the market price at date of grant. As of December 31, 2003, the CEO held 1,600,000 stock options.

The remuneration charge for 2003 for the other senior executives (10 executives, including in 2003 the Cluster manager for Africa) was a total of \$3,988,700 of which bonuses amounted to \$1,173,800 and other benefits of \$662,400. No contributions to pension funds were made to other senior executives. 325,300 stock options were granted in 2003 to other senior executives at an exercise price equal to the market price at date of grant. As of December 31, 2003, the other senior executives held 948,300 stock options.



## Severance Payments

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

## Other

From time to time, Millicom has allowed its senior executives to participate in its operations. The following participations and options are held by senior executives:

Share options totaling 1% of the outstanding share capital in Millicom International BV are held by Mr. Beuls, President and Chief Executive Officer of Millicom (See Note 17 to the Notes to the consolidated Financial Statements).

In Millicom's operations in Vietnam, Mr. Muhammed Akhtar Zaman, a senior vice president of Millicom, owns 20% of Comvik International (Vietnam) AB. In Millicom's operations in Cambodia, Mr. Zaman owns 3.1% of CamGSM Company Limited and 3% of Royal Telecom International Limited. In Laos, Mr. Zaman owns 3.9% of Millicom Laos. Mr. Zaman holds the right to acquire an equity ownership in certain countries in the event he is able to obtain a license for Millicom.

## Options

The following options to purchase shares of Millicom common stock with a par value of \$1.50 each, issued to directors, officers and employees of Millicom were outstanding as of December 31, 2004.

<u>Date issued</u>	<u>Number of options</u>	<u>Exercise price \$</u>	<u>Terms of option</u>
May 1994, May 1995, May 1996, May 1997, January 1998, May 1998, August 1999, May 2000, December 2001, December 2002, May 2003 and May 2004	2,643,151	3.32-35.906	Exercisable over a three-year period in equal installments. Options have an indefinite life.
December 2001, December 2002, May 2003 and May 2004	1,252,932	3.32-25.047	Exercisable over a three-year period in equal installments. Options expire after six years from date of grant.
August 1999, May 2000, June 2000	231,464	20.34-31.88	Exercisable over a five-year period ( <sup>1</sup> / <sub>3</sub> vested after three years, <sup>2</sup> / <sub>3</sub> vested after four years, 100% vested after five years). Options expire after six years from date of grant.
Balance as of December 31, 2004	4,127,547		

Of the above options, 2,451,508 were exercisable at December 31, 2004. During the year ended December 31, 2004, 669,040 options were exercised. At December 31, 2003, 1,880,852 (2002: 1,956,204) were exercisable. No options were exercised during 2003 (2002: nil). In 2004, 264,236 (2003: 1,020,696) options, were forfeited.

In February 2003, an Extraordinary General Meeting of Millicom passed a resolution approving a reverse share split whereby three existing shares with a par value of \$2 each would be exchanged for one share with a par value of \$6 each. In February 2004, an Extraordinary General Meeting of Millicom passed a resolution approving a share split whereby one then existing share with a par value

of \$6 each would be exchanged for four new shares with a par value of \$1.50 each. The number and exercise price of options referred to for periods prior to such date above have been restated to reflect the share split.

### *Share and Option Ownership of Directors and Members of Senior Management*

The following table sets out, as at December 31, 2004, the total amount of Millicom common stock and options beneficially owned by the directors, the Chief Executive Officer and the other members of senior management of Millicom. Options are granted once a year by the Board of Directors and are approved by the Board. The exercise price of options granted before 2004 equals the market price at date of grant. In May 2004, 540,015 options were granted at a market value per option of \$25.05, representing the market price at date of grant plus a mark-up of 10%. In May 2003, 947,992 options were granted at a market value of USD 3.32.

	<u>Common Stock</u>	<u>Total number of options(1)</u>	<u>Of which Options granted in 2004</u>
Chairman of the Board of Directors	0	20,000	20,000
Other members of the Board of Directors	2,153,801(2)	465,600	120,000
CEO	154,032	1,561,100	50,000
Other members of the senior management	363,700	710,000	152,100

(1) Further information regarding stock options is included in Note 17 of the Notes to the consolidated financial statements.

(2) This includes 2,032,932 shares owned by the 1980 Stenbeck Trust and 82,472 shares owned by another related trust that have been sold since then.

### **Employees**

On a proportional basis, Millicom employed an average of 2,269 employees in 2004, of which 808 were employed in Asia, 1,068 in Latin America, 377 in Africa and 16 in Europe. On a proportional basis, Millicom employed an average of 1,917 employees during the year ended December 31, 2003. Of these, in 2003, 622 were employed in Asia, 911 in Latin America, 336 in Africa, 48 in Europe.

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **Principal Shareholders**

The table below sets out certain information known to Millicom as of December 31, 2004, unless indicated otherwise, with respect to beneficial ownership of Millicom common stock, par value \$1.50 each (after the stock split effected in February 2004), by:

each person who beneficially owns more than 5% of Millicom common stock, and

significant related parties to Millicom.

<u>Shareholder</u>	<u>Amount of Shares</u>	<u>Percentage</u>
Investment AB Kinnevik(1)(2)	35,142,535	35.6%
The 1980 Stenbeck Trust(3)	2,032,932	2.1%

(1) Includes shares held by Investment AB Kinnevik and subsidiaries. On July 28, 2004, Invik & Co. AB ("Invik") and Industriförvaltnings AB Kinnevik ("Kinnevik") completed a statutory merger under the Swedish Companies Act. Under the plan of merger, shareholders of Kinnevik received



newly issued shares of Invik and cross-ownerships of share capital between Invik and Kinnevik were dissolved. The name of the new merged entity was changed into Investment AB Kinnevik.

- (2) Mr. Jan H. Stenbeck was the chairman of the board of Kinnevik and Invik. The estate of Mr. Stenbeck is under administration in Luxembourg and Sweden. A notary and an administrator have been appointed in Luxembourg, and an attorney has been elected by the Stockholm City Court as Swedish legal administrator of the estate. The administrators in Luxembourg and Sweden shall consult and inform each other as well as the heirs of Mr. Stenbeck's estate of any decisions or acts taken regarding the estate. No date has been set for the distribution of the estate.
- (3) The 1980 Stenbeck Trust is an irrevocable trust that was created under the laws of the State of New York exclusively for the benefit of the wife and children of Mr. Jan H. Stenbeck. The sole and exclusive voting control of the Millicom common stock held by the 1980 Stenbeck Trust is vested in the trustees. Mr. Gubar is an attorney in New York State. Mr. Guy is the Chief Executive Officer of Modern Holdings. Mr. Marcus is the Chairman of both Modern Holdings and Great Universal, Inc. The trustees of the 1980 Stenbeck Trust are Leonard Gubar, Henry Guy and David Marcus. The trustees have disclaimed beneficial ownership of the shares owned by the 1980 Stenbeck Trust.

Except as otherwise indicated, the holders listed above have sole voting and investment power with respect to all shares beneficially owned by them. The holders listed above have the same voting rights as all other holders of Millicom common stock. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date which such person or group of persons has the right to acquire within 60 days after such date. For purposes of computing the percentage of outstanding shares held by each person, or group of persons, named above on a given date, any security which such person or persons has the right to acquire within 60 days after such date (including shares which may be acquired upon exercise of vested portions of stock options) is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

#### *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, 2004, Kinnevik owned approximately 35.6% of Millicom.

On December 31, 1995 Millicom acquired 17.7% of MACH from Kinnevik. The consideration, which was to have a minimum present value of \$5,000,000 at December 31, 1995, consisted of:

an initial payment of \$1,000,000 plus interest, at the ruling market rate, for the month of January 1996,

seven additional payments for each of the financial years 1996 to 2002, calculated as 17.7% of MACH's pre-tax profit for the relevant year and payable in April of the following year, and

a final payment payable in April 2003, calculated as the higher of (a) the sum of the seven additional payments multiplied by a factor of 1.3 minus the initial payment or (b) the amount required to make the present value of all payments at December 31, 1995 equal to \$5,000,000.

The final payment was made in Millicom common stock. In 2002 an amount of \$3,958,000 due to Kinnevik was included in the balance sheet under the heading "Amounts due to shareholders". In addition, as of December 31, 2002, Millicom owed \$63,000 for additional charges. The balance was settled in 2003.

In May 2002, Millicom sold a 17% interest in MIC Systems BV, the parent company of MACH to Kinnevik BV for \$17,000,000.

During 2002, Kinnevik purchased Millicom 13.5% Notes (note 18) on the open market with a face value of \$44,000,000. Millicom then exchanged these for \$1,500,000 cash and 672,016 Tele2 AB series B shares at market prices.

During the course of 2002, Millicom sold an additional 6,177,369 Tele2 AB series B shares at market prices to Kinnevik for a value of \$104,295,000.

During 2004, Kinnevik purchased 5,600,000 Millicom shares of which 4,050,000 in the share offering on December 7, 2004 (see Note 17).

The Group maintains corporate bank accounts at Banque Invik, a subsidiary of Kinnevik through which it makes payments and receives cash in the normal course of business. As of December 31, 2004, the Group had current accounts, time deposits, blocked deposits and a bank facility of \$3,000,000 at Banque Invik.

#### *Tele 2 AB*

In November 2001, Millicom sold 100% of its interests in FORA Telecom BV, its Russian Cellular telephone operations to Tele2 AB for a consideration of \$80 million in Tele2 AB series "B" shares plus a maximum equivalent of \$30 million in cash or additional Tele2 AB series "B" shares, depending on the outcome of GSM license applications for three of Millicom's cellular telephone operations in Russia. The sale resulted in a \$6,693,000 gain on the disposal in 2001 (Note 23). During 2002, Millicom obtained the necessary GSM licenses referred to above and received the additional proceeds of \$30 million in cash. In addition, certain loans for which Millicom was liable were settled at less than their carrying value. The gain realized in obtaining the licenses and settling the loans net of costs incurred in the acquisition of the licenses, amounted to \$30,859,000 in 2002.

#### *Great Universal and Modern Holdings*

As of December 31, 1998, the Group, through its subsidiary MIC-USA Inc. ("MIC-USA"), had a 100% temporary and restricted shareholding in Great Universal. On December 31, 1999, MIC-USA transferred its 100% ownership and related rights in Great Universal to Great Universal LLC 1999 Trust for a consideration of \$5,027,000, corresponding to the net book value of Millicom's investment in Great Universal. During 2002, Millicom recorded an impairment loss for 100% of this asset due to uncertainty concerning its recoverability (Note 9). The rights and obligations of MIC-USA toward Great Universal were assigned to Great Universal LLC. Great Universal continues to indemnify Millicom against certain contingent liabilities. Great Universal and Modern Holdings are mainly engaged in the communications, information technology, teleservices and media industries primarily.

In June 1999, Great Universal effected a reorganization whereby it spun off its subsidiaries into two separate businesses being Great Universal Inc. and Modern Holdings. Great Universal LLC holds 100% of common shares in Great Universal Inc. and 52.7% of common shares in Modern Holdings. Millicom also has a direct ownership of 11.6% of the share capital of Modern Holdings. These investments are recorded as non-current available-for-sale security (note 9).

Millicom does not consolidate its investments in Great Universal and Modern Holdings since the restrictions on their ability to distribute dividends is considered a severe long-term restriction that significantly impairs their ability to transfer funds to Millicom. Further, due to the existence of warrants enabling the warrant holders to obtain control over Great Universal and Modern Holdings, Millicom considers that it does not control these companies.

*Services purchased from and sold to Affiliated Companies*

The following sales and purchases and outstanding balances occurred with companies affiliated to Millicom. The services purchased and supplied covered fraud detection, network and IT support, acquisition of assets and customer care systems.

Millicom had the following payables to related parties and made purchases from related parties as follows:

	Purchases in year		Amount payable as of December 31,	
	2004	2003	2004	2003
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Applied Sales Management	–	–	–	–
Applied Value	81	369	–	24
AVI	403	–	70	–
Banque Invik	665	937	57	348
Bassett	376	451	130	40
Ephibian	–	24	–	14
Foreign Value	1,859	730	–	–
Fischer Partners	37	–	–	–
Great Universal	192	–	78	–
Kinnevik	5	–	–	–
Metro	21	–	–	–
Modern Treuhand	569	–	415	–
Modern Times Group	5	–	1	–
Netcom Consultants	1,129	352	–	–
Praesidium	13	50	–	–
Procure-it-right	978	1,384	8	72
Search Value	257	159	–	38
Shared Services	146	–	34	–
Shared Value	680	638	5	41
Tele2 AB	234	247	177	31
3C Communications International	233	182	–	–
	<u>7,883</u>	<u>5,523</u>	<u>975</u>	<u>608</u>

As at December 31, 2004 and 2003, Millicom had the following receivables from related parties:

	2004	2003
	US\$ '000	US\$ '000
Kinnevik	154	154
Metro	–	247
Millicom Technologies Ltd	83	–
Modern Holdings	1,383	1,690
Modern Times Group	265	265
Netcom	8	16

Shared Value	18	18
Stonebrook Enterprises	156	156
Tele2 AB	–	359
	<u>2,067</u>	<u>2,905</u>

In the opinion of management, the transactions described above have been entered on terms similar to those that would have been obtained from independent parties.



## ITEM 8. FINANCIAL INFORMATION

### Financial Statements and Other Information

See Item 18 for the Company's Financial Statements.

### Legal Proceedings

We are a party to various litigation matters in almost each jurisdiction in which we operate, but in management's opinion these matters will not, either singly or taken together, have a material negative impact on our financial position or operations.

### Dividend Policy

Holders of Millicom common stock are entitled to receive dividends ratably when, as and if declared by the Company's Board of Directors, subject to Luxembourg legal reserve requirements. Millicom has not paid any cash dividends on its common stock since inception. Millicom anticipates that it will retain any earnings for use in the operation and expansion of its business and does not anticipate paying any cash dividends on Millicom common stock in the foreseeable future. In addition, the ability of Millicom to make dividend payments or other payments on its common stock is limited by the Indenture for Millicom's new Notes. Management will consider any tax consequences to Millicom before declaring a dividend.

## ITEM 9. THE OFFER AND LISTING

The principal trading market of Millicom common stock is the NASDAQ National Market.

On February 16, 2004, an Extraordinary General Meeting of Millicom passed a resolution approving a stock split of the issued shares of Millicom by exchanging one existing ordinary share with a par value of \$6.00 for four new ordinary shares with a par value of \$1.50 each, which became effective on February 20, 2004.

All prices quoted below have been adjusted to reflect the reverse stock split effected in February 2003 and the one effected in February 2004. All figures presented are based upon a par value of \$1.50 each.

	High	Low
<b>Year ended December 31, 2000</b>	\$ 61.12	\$ 16.08
<b>Year ended December 31, 2001</b>	\$ 25.69	\$ 6.87
<b>Year ended December 31, 2002</b>	\$ 10.44	\$ 0.29
<b>Year ended December 31, 2003</b>		
First Quarter	\$ 2.25	\$ 1.09
Second Quarter	\$ 7.13	\$ 1.77
Third Quarter	\$ 12.16	\$ 6.65
October 2003	\$ 15.58	\$ 11.24
November 2003	\$ 19.94	\$ 15.19
December 2003	\$ 19.88	\$ 16.20
<b>Year ended December 31, 2004</b>		
First Quarter	\$ 22.92	\$ 17.35
Second Quarter	\$ 27.80	\$ 20.52
Third Quarter	\$ 22.00	\$ 14.58
October 2004	\$ 20.53	\$ 17.34

November 2004	\$	23.30	\$	20.00
December 2004	\$	24.05	\$	22.07
January 2005	\$	22.39	\$	18.97
February 2005	\$	23.09	\$	21.28
March 2005	\$	23.15	\$	19.77

On April 29, 2005, the closing market price for Millicom common stock on the NASDAQ National Market was \$17.81.

Our shares are also traded on the *Stockholmsbörsen* and the Luxembourg Stock Exchange.

There are no Luxembourg decrees or regulations that restrict the import or export of capital or that affect the remittance of dividends or other payments to holders of Millicom common stock who are non-residents of the Grand-Duchy of Luxembourg.

There are no limitations relating only to non-residents of the Grand-Duchy of Luxembourg under Luxembourg law or the articles of incorporation of Millicom on the right to be a holder and to vote in respect of Millicom common stock.

### **NASDAQ Corporate Governance Exemption**

The NASDAQ Stock Market granted an exemption to Millicom with respect to the quorum requirement under Rule 4350(f), which requires each issuer to provide for a quorum specified in its by-laws for any meeting of the holders of common stock, which may not be less than 33<sup>1</sup>/<sub>3</sub>% of the outstanding shares of the company's common voting stock. Our articles of association do not provide any quorum requirement that is generally applicable to general meetings of our shareholders. This absence of a quorum requirement is in accordance with Luxembourg law and generally accepted business practices in Luxembourg.

## **ITEM 10. ADDITIONAL INFORMATION**

### **Articles of Association**

#### ***Registration and Object***

Millicom International Cellular is a public liability company (*société anonyme*) governed by the Luxembourg law of August 10, 1915 on Commercial Companies, incorporated on June 16, 1992, and registered with the Luxembourg Trade and Companies' Register (*Registre de Commerce et des Sociétés de Luxembourg*) under number B 40.630.

The articles of incorporation of Millicom define its purpose as follows: "[...] *to engage in all transactions pertaining directly or indirectly to the acquisition of participating interests in any business enterprise, including but not limited to, the administration, management, control and development of any such enterprise, and to engage in all other transactions in which a company created under the laws of Luxembourg may engage*".

#### ***Directors***

***Restrictions on voting***—In case a director has a personal material interest in a proposal, arrangement or contract to be decided by Millicom, the articles of incorporation provide that the validity of the decision of Millicom will not be affected by a conflict of interest existing for a director. However, any such personal interest must be disclosed to the board of directors ahead of the vote and the relevant director may not vote on the relevant issue. Such conflict of interest must be reported to the next general meeting of shareholders.

***Compensation and Nomination***—The decision on the annual remuneration of the directors ("*tantièmes*") is reserved by the articles of incorporation to the general meeting of shareholders. Directors are therefore prevented from voting on their own compensation. However, the directors may vote on the terms of their own employment contract with Millicom and on the amount of shares they may be allotted under a share option scheme. Following the annual general meeting of shareholders of May 2004, a Nominations Committee was established comprising Ms. Stenbeck (Chairwoman), Mr. Johannesson and Mr Carlund. 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 reviews and recommends the director's fees which are approved by the shareholders at the AGM.

***Borrowing powers***—The Directors generally have unrestricted borrowing powers on behalf of and for the benefit of Millicom.

*Age limit*—There is no age limit for being a director of Millicom. Directors are elected for a maximum of six years and are re-eligible.

*Share ownership requirements*—Directors need not be shareholders.

## ***Shares***

*Rights attached to the shares*—Millicom has only one class of shares, each share entitling its holder to (i) one vote at the general meeting of shareholders, (ii) receive dividends out of distributable profits when such distributions are decided, and (iii) share in any surplus left after the payment of all the creditors in the event of liquidation. There is a preferential subscription right under any share or rights issue for cash, unless the board of directors restricts the exercise thereof.

*Redemption of shares*—The articles of incorporation provide for the possibility and the terms of the repurchase by Millicom of its own shares, solely at Millicom's initiative.

*Sinking funds*—Millicom's shares are not subject to any sinking fund.

*Liability for further capital calls*—All of the issued shares in Millicom's capital are fully paid. Accordingly none of Millicom's shareholders are liable for further capital calls.

*Principal shareholder restrictions*—There are no provisions in the articles of incorporation that discriminate against any existing or prospective holder of Millicom's shares as a result of such shareholder owning a substantial number of shares.

## ***Changes to Shareholder Rights***

In order to change the rights attached to the shares of Millicom, a general meeting of shareholders must be duly convened and held before a Luxembourg notary, as under Luxembourg law such change requires an amendment of the articles of incorporation. A quorum of presence of at least 50% of the shares present or represented is required at a meeting held after the first convening notice, and any decision must be taken by a majority of two thirds of the shares present or represented. Any change to the obligations attached to shares may be adopted only with the unanimous consent of all shareholders.

## ***Shareholders' Meetings***

General meetings of shareholders are convened by convening notice published in the Luxembourg official Gazette and in a Luxembourg newspaper, twice at an interval of eight days, at least eight days prior to the meeting. If all the shares are registered shares, a convening notice may, as an alternative to the publication, be sent to each shareholder by registered mail at least eight days before the annual general meeting. According to article 17 of the articles of incorporation of Millicom, the board of directors determines in the convening notice the formalities to be observed by each shareholder for admission to the general meeting of shareholders. An annual general meeting of shareholders must be convened every year on the date provided for in the articles of incorporation, which is the last Tuesday in May each year. Other meetings can be convened as necessary.

## ***Limitation on Securities Ownership***

There are no limitations under Luxembourg law or the articles of incorporation on the rights for non-resident or foreign entities to own shares in Millicom.

## ***Change of Control***

There are no provisions in the articles of incorporation of Millicom that would have the effect of delaying, deferring or preventing a change in control of Millicom and that would operate only with respect to a merger, acquisition or corporate restructuring involving Millicom,

or any of its subsidiaries. Luxembourg laws impose the mandatory disclosure of an important participation in Millicom and any change in such participation.

## ***Disclosure of Shareholder Ownership***

There are no provisions of the articles of incorporation by which a certain ownership threshold must be disclosed. However, Luxembourg laws provide that any entity or person holding more than certain thresholds (10%, 20%, 33<sup>1</sup>/<sub>3</sub>%, 50% and 66<sup>2</sup>/<sub>3</sub>%) of a company listed on the Luxembourg Stock Exchange must declare such shareholding to the Luxembourg Stock Exchange and to Millicom itself. Such disclosure is mandatory also in case of a decrease beyond such respective thresholds.

## **Material Contracts**

In December 2004 and January 2005, Millicom raised \$200 million aggregate principal amount of 4% Convertible Bonds due 2010 (the "4% Convertible Bonds"). The closing and settlement date of the 4% Convertible Bonds was January 7, 2005.

The 4% Convertible Bonds are direct, unsecured obligations of Millicom. The rate of interest payable on the bonds is 4% per annum. Interest is payable semi-annually in arrear in equal installments on January 7 and July 7 of each year commencing on July 7, 2005.

Unless previously redeemed or converted, the bonds will be redeemed on January 7, 2010 at their principal amount.

Each bond will entitle the holder to convert such bond into shares or SDRs at the then applicable conversion price at any time on or after February 17, 2005 and up to December 28, 2010.

The initial conversion price will be \$34.86 per share.

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

In November 2003, Millicom issued \$550 million aggregate amount of 10% Senior Notes due 2013 (the "10% Notes") under an indenture dated November 24, 2003 between Millicom and The Bank of New York.

The 10% Notes are senior, unsecured obligations of Millicom. The 10% Notes bear interest at 10% per annum, payable semiannually in arrears on June 1 and December 1 of each year, with a final maturity on December 1, 2013. The interest on the 10% Notes is payable in cash.

At any time and from time to time on or after December 1, 2008, Millicom may redeem the 10% Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set out below plus accrued and unpaid interest to the redemption date.

<b>12-month period commencing December 1 in Year</b>	<b>Percentage</b>
2008	105.000%
2009	103.333%
2010	101.667%
2011 and thereafter	100.000%

At any time and from time to time prior to December 1, 2006, Millicom may redeem 10% Notes with the net cash proceeds received by it from any sale of its common stock at a redemption price equal to 110% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the 10% Notes (including additional notes, if any, issued under the 10% Notes Indenture); provided that:

- (1) in each case the redemption takes place not later than 90 days after the closing of such sale, and

- (2) not less than 65% of the original principal amount of the 10% Notes (including additional notes, if any, issued under the indenture governing the 10% Notes) remains outstanding immediately thereafter.

The 10% Notes may also be redeemed at Millicom's option in whole, but not in part, at any time at a price equal to the principal amount thereof, together with accrued and unpaid interest, if any, and other amounts due to the date of redemption, if Millicom (or its successor) becomes obligated to pay certain additional amounts as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of Luxembourg (or such successor's jurisdiction) or their respective political subdivisions or taxing authorities, or any change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective after the issue date of the 10% Notes (or the date such successor assumes Millicom's obligations under the 10% Notes).

The indenture governing the 10% Notes contains certain covenants that, among others, restrict our ability to:

incur additional debt;

make certain payments, including dividends or other distributions, with respect to our capital stock, or prepayments of subordinated debt;

make certain investments or sell assets;

create certain liens or engage in sale and leaseback transactions;

provide guarantees for certain debt;

enter into restrictions on the payment of dividends and other amounts;

engage in certain transactions with affiliates;

incur indebtedness other than at the Company or operating subsidiary levels;

consolidate, merge or transfer all or substantially all our assets; and

enter into other lines of business.

Upon the occurrence of a change of control triggering event, which is defined in the indenture governing the 10% Notes as a rating decline and change of ownership, holders of the 10% Notes may require Millicom to purchase all or a portion of the 10% Notes at a purchase price of 101% of the stated principal amount of the 10% Notes, plus accrued and unpaid interest, if any, on the 10% Notes to the date of purchase.

Under the indenture governing the 10% Notes, Millicom may not incur indebtedness unless the "leverage ratio" would be less than 4 to 1. The leverage ratio is the ratio of the consolidated principal amount of net debt outstanding to four times operating income. Even if Millicom ceases to meet the leverage ratio requirement, it may incur debt under several "debt baskets" set out in the indenture governing the 10% Notes.

On August 7, 2003, Millicom Telecommunications S.A., Millicom's wholly-owned subsidiary, issued for an aggregate value of SEK 2,555,994,000 (approximately \$310 million) Mandatory Exchangeable Notes (the "5% Mandatory Exchangeable Notes"), which are



exchangeable into Tele2 AB series B shares. The 5% Mandatory Exchangeable Notes may be exchanged either voluntarily at the option of the noteholders or mandatorily by Millicom Telecommunications S.A. as described below. The 5% Mandatory Exchangeable Notes will be exchangeable for an aggregate of up to 8,968,400 Tele2 AB series B shares which Millicom beneficially owned through Millicom Telecommunications. The number of Tele2 shares that Millicom Telecommunications is obligated to deliver is based on a formula that takes into account the market price of the Tele2 shares prior to any exchange. Under the formula, Millicom Telecommunications could retain up to 30% of the increase in value of the Tele2 shares over the designated reference price of SEK 285 per share. As a result, at August 6, 2006 or earlier if all of the 5% Mandatory Exchangeable Notes have been redeemed and exchanged prior to that date, Millicom Telecommunications may own up to approximately 23% of the 8,968,400 Tele2 AB series B shares underlying the 5% Mandatory Exchangeable Notes.

The 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the noteholders at any time during the period commencing on September 17, 2003 and ending on the 25th trading day prior to August 7, 2006, which is expected to be July 11, 2006. In addition, the 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the holder in the event of certain changes in tax laws and in the event of a takeover offer in respect of Tele2 AB. Dividends, if any, paid by Tele2 AB would be attributed to the 5% Mandatory Exchangeable Notes holders.

Unless otherwise previously redeemed and exchanged or purchased and cancelled, each 5% Mandatory Exchangeable Note will be mandatorily exchanged by Millicom Telecommunications on August 7, 2006.

The 5% Mandatory Exchangeable Notes bear interest on the U.S. dollar equivalent amount of each note at a rate of 5% per annum payable semi-annually on February 7 and August 7 of each year. The effective interest rate is 8.45%. As of December 31, 2004 the carrying amount of the 5% Mandatory Exchangeable Notes net of unamortized financing fees was \$365,006,000 (2003: \$327,635,000). In 2004, an exchange loss of \$27,550,000 (2003: \$41,820,000) was recognized on the 5% Mandatory Exchangeable Notes.

As part of the financing, Millicom purchased U.S. treasury strips with a nominal value of \$46,470,000 which will be used to settle the interest payments.

The 5% Mandatory Exchangeable Notes include an embedded derivative, which is valued separately. The embedded derivative, which reflects Millicom's limited right to participate in the increase in value of the Tele2 shares, is recorded at fair value, taking into account time and volatility factors. As of December 31, 2004 and 2003, the fair value of the embedded derivative amounted to an asset of \$45,255,000 and a liability of \$103,457,000 respectively, with the variation for the year ended December 31, 2004 amounting to a gain of \$148,712,000 and for the period from August 7, 2003 to December 31, 2003 amounting to a gain of \$84,578,000, each recorded under the caption "Fair value result on financial instruments".

## **Exchange Controls**

There are no governmental laws, decrees, regulations or other legislation of Luxembourg that may affect:

the import or export of capital including the availability of cash and cash equivalents for use by the Group, and

the remittance of dividends, interests or other payments to non-resident holders of the Company's securities other than those deriving from the U.S.-Luxembourg double taxation treaty.

## **Taxation**

The following paragraphs describe very generally the tax laws of Luxembourg as they apply to investors in the Company, which is a Luxembourg corporation, and also the taxation of investors who are citizens, residents or domiciliaries of the United States. The following is intended merely as a general summary of the principal tax consequences of the receipt, holding and disposition of shares of Millicom common stock, and is not intended as a substitute for professional tax advice that takes into account the particular circumstances relevant to a specific investor. Accordingly, investors should consult their own professional advisors on the possible tax consequences of holding or disposing of shares of Millicom common stock, under the laws of their countries of citizenship, residence or domicile.

## ***Luxembourg Taxation***

Because the Company is a Luxembourg corporation, domestic Luxembourg law generally imposes a 20% withholding tax on dividends paid by the Company under certain circumstances. Certain reduced rates of withholding tax, or exemptions from withholding tax, are available under provisions of domestic Luxembourg law and bilateral tax treaties entered into between Luxembourg and various other countries. Investors should consult their tax advisors with respect to the possible availability of such reduced rates or exemptions.

## ***United States Investors***

- (a) *Luxembourg Taxation.* The United States and Luxembourg are party to the Convention between the United States of America and the Grand-Duchy of Luxembourg with Respect to Taxes on Income and Property (the "Treaty") for the purpose of avoiding double taxation. The Treaty provides that dividends received from the Company by a U.S. Holder (as defined below) are subject to a tax of 15% in most cases. Dividends received from the Company by a U.S. Holder are subject to tax at a reduced rate of 5% if the U.S. Holder is a company that owns directly at least 10% of the Company's voting stock. In addition, the Treaty exempts from Luxembourg taxation dividends paid to U.S. Holders that are treated as corporations for U.S. federal income tax purposes, that are residents of the United States under the Treaty, and that directly hold at least 25% of the Company's voting stock. These reduced rates are available only for dividends that are not attributable to a permanent establishment through which the U.S. Holder conducts a business in Luxembourg. The benefits of the Treaty are available to U.S. Holders that are "qualified residents" of the United States, as defined in the Treaty.
- (b) *Special Considerations.* Unfavorable U.S. tax rules apply to U.S. shareholders of a "passive foreign investment company" ("PFIC"). There can be no assurance that we presently are not, or will not become, a PFIC. Our substantial investment in associated companies' securities and other "passive assets" result in a risk that we are a PFIC or could become a PFIC in the future. See "–PFIC Considerations."
- (c) *Taxation of Distributions on Millicom common stock.* Distributions made by the Company with respect to Millicom common stock (including the amount of any Luxembourg taxes withheld there from) will generally be includable in the gross income of a United States person who is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation or a partnership created or organized in the United States or under the laws of the United States or of any state, or an estate or trust (other than a foreign estate or trust) that holds Millicom common stock (a "U.S. Holder") as dividend income to the extent that such distributions are paid out of the Company's current or accumulated earnings and profits as determined under U.S. federal income tax principles. A corporation organized in the United States or under the laws of the United States that owns 10% of the Company's voting stock, however, may be entitled to a deduction for United States income tax purposes for a portion of a distribution treated as dividend income. To the extent, if any, that the amount of any such distribution exceeds the Company's current or accumulated earnings and profits as so computed, it will first reduce the U.S. Holder's tax basis in its Millicom common stock to the extent thereof, and, to the extent in excess of such tax basis, will be treated as a gain from the sale or exchange of property.

Under present law, the maximum tax rate applicable to dividends in the U.S. is 35%. The maximum tax rate applicable to "qualified dividends" received by individuals is 15%. Dividends paid by the Company to a U.S. Holder will not be eligible for this "qualified dividend" tax rate if the Company is a PFIC or a for its tax year in which the dividend is paid, or for its previous tax year. See "–PFIC Considerations".

Future distributions of rights to subscribe to Millicom common stock, or of Millicom common stock that are made as part of a pro rata distribution to all shareholders generally will not be subject to U.S. federal income tax.

Subject to certain conditions and limitations, the amount of any Luxembourg taxes (other than taxes with respect to which a U.S. Holder is entitled to a refund under the Treaty, even if such refund is not claimed or received) withheld on a distribution by the Company will be creditable against such holder's U.S. federal income tax liability. Distributions with respect to Millicom common stock that are taxable as dividends will generally constitute foreign source income for purposes of the foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by the Company with respect to Millicom common stock will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income."

A U.S. Holder must hold Millicom common stock for a minimum holding period in order to claim a foreign tax credit with respect to Luxembourg tax withheld from a dividend distribution on Millicom common stock. The minimum holding period for common stock is 16 days, and such holding period must be satisfied within the 31-day period beginning on the date that is 15 days prior to the ex-dividend date. Any period for which the U.S. Holder protects itself from risk of loss is not includable in the minimum 16-day holding period. Amounts not creditable against U.S. tax may instead be deducted at the election of the U.S. Holder.

- (d) *Taxation on Disposition of Millicom common stock.* U.S. Holders will recognize gain or loss for U.S. federal income tax purposes on the sale or other disposition of Millicom common stock in the same manner as on the sale or other disposition of any other shares. Such gain or loss will be a capital gain or loss if Millicom common stock is held as a capital asset. Gains, if any, generally will be U.S. source gain.

Net capital gains (*i.e.* generally capital gains in excess of capital losses) recognized by an individual U.S. Holder upon the sale of a capital asset that has been held for more than 12 months will generally be subject to tax at a rate not to exceed 15%. Net capital gains recognized by an individual from the sale of a capital asset that had been held for 12 months or less will be subject to tax at ordinary income tax rates. In addition, capital gains recognized by a corporate U.S. Holder will continue to be subject to tax at the ordinary income tax rates applicable to corporations.

- (e) *PFIC Considerations.* A foreign corporation is a PFIC for any taxable year if either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its assets produce, or are held for the production of, "passive income." For purposes of determining whether it is a PFIC, a foreign corporation is treated as holding its share of the assets, and receiving its share of the income, of any other corporation in which it owns (directly or indirectly) 25% or more of the stock (by value). Our substantial investment in associated companies' securities and other "passive assets" as well as the possibility that the Company may generate significant amounts of passive income from time to time, could cause us to be a PFIC or to become a PFIC in the future.

If the Company is a PFIC in any taxable year, a U.S. Holder who beneficially owns Millicom common stock, during such year must make an annual return on IRS Form 8621 that describes the distributions received with respect to Millicom common stock and any gain realized on the disposition of such Millicom common stock. Furthermore, if the Company is a PFIC for any taxable year during which a U.S. Holder holds Millicom common stock, such U.S. Holder generally will be subject to special rules (regardless of whether the Company continued to be a PFIC) with respect to (i) any "excess distribution" made with respect to the Millicom common stock (generally, any distributions received by the U.S. Holder on Millicom common stock in a taxable year that is greater than 125% of the average annual distributions received by the U.S. Holder in

the three preceding taxable years, or, if shorter, the U.S. Holder's holding period for Millicom common stock) and (ii) any gain realized on the sale or other disposition of Millicom common stock. Under these rules, (a) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period for Millicom common stock, (b) the amount allocated to the current taxable year would be taxed as ordinary income and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other year.

A U.S. Holder could avoid the imposition of the interest charge with respect to such shares by making certain elections (either a mark-to-market election or a qualified electing fund ("QEF") election). To make the mark-to-market election, Millicom common stock must be considered marketable under U.S. income tax rules. For a U.S. Holder to make the QEF election, the Company would have to satisfy certain reporting requirements.

Neither we nor our advisors have the duty to or will undertake to inform U.S. Holders whether or not we are a PFIC. We do not currently intend to make available the information necessary for a U.S. Holder to make a QEF election in the event we are determined to be a PFIC.

Because of the complexity of these rules regarding ownership of stock in a PFIC by a U.S. Holder, U.S. Holders of Millicom common stock should consult with their own tax advisors regarding any potential reporting or tax obligations, as well as their potential election options.

- (f) *FPHC Considerations.* A foreign corporation will generally be a FPHC for any taxable year if (i) at least 60% (50% in certain cases) of its gross income consists of "foreign personal holding company income" and (ii) at any time during such year more than 50% of the voting power or value of its stock is owned, directly or under rules of attribution, by, or for, five or fewer individuals who are citizens or residents of the United States (a "U.S. Group"). For this purpose, foreign personal holding company income generally includes dividends and interest. Because the Company's principal source of income is expected to be dividends and interest from its subsidiaries, the Company is likely to satisfy the FPHC income test. With respect to the FPHC ownership test, although the Company believes that a significant percentage of its stock may be treated as owned, under the FPHC attribution rules, by five or fewer U.S. individuals, the Company is not aware of any facts which would indicate that a U.S. Group with respect to the Company exists as of March 15, 2004. Future changes in the ownership of the Company's stock, which the Company has no reason to anticipate, could affect its status for purposes of the FPHC rules.

If the Company is a FPHC for any taxable year, each U.S. Holder who owns Shares on the last day of such year, or if earlier, the last day in such year on which a U.S. Group existed with respect to the Company will be required to include in gross income as a dividend such U.S. Holder's pro rata share of the Company's undistributed taxable income, subject to adjustments, determined using U.S. tax accounting principles.

## **Documents on Display**

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the Securities and Exchange Commission at the Securities and Exchange Commission's public reference room located at 450 Fifth Street, NW, Washington D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The principal market risks to which we are exposed are interest rate risk and foreign currency exchange risk.

### *Interest Rate Risk*

The interest rate risk to which we are exposed is principally a function of our long-term debt. To alleviate this risk, we obtain both fixed-rate and floating-rate debt.

The table below summarizes, as at December 31, 2004, our fixed rate debt and floating rate debt.

	Amounts due within						Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	
(in thousands of U.S. Dollars, except percentages)							
Fixed rate:							
US dollar	10,545	10,077	997	–	–	536,629	558,248
Av Int rate	5.7%	5.8%	3.8%	–	–	10.0%	9.8%
MTSA (SEK)	–	365,006	–	–	–	–	365,006
Mauritius	8	21	23	21	–	–	73
Paraguay	11,543	–	–	–	–	–	11,543
Senegal	16,148	673	769	646	–	–	18,236
Local currency	27,699	365,700	792	667	–	–	394,858
Av Int rate	10.2%	5.0%	11.5%	11.5%	–	–	5.4%
Total fixed rate	38,244	375,777	1,789	667	–	536,629	953,106
Floating rate:							
US dollar	21,125	17,614	16,434	9,218	8,347	447	73,185
Av Int rate	5.2%	5.7%	6.1%	4.9%	4.9%	7.4%	5.5%
Guatemala	–	4,728	4,728	4,728	4,728	3,782	22,694
Mauritius	1,436	929	1,853	325	–	–	4,543
Pakistan	13,345	9,241	8,414	–	–	–	31,000
Sri Lanka	485	1,628	2,171	2,171	2,171	–	8,626
Tanzania	5,213	3,295	2,348	1,740	–	–	12,596
Vietnam	8,663	–	–	–	–	–	8,663
Local currency	29,142	19,821	19,514	8,964	6,899	3,782	88,122
Av Int rate	8.7%	7.5%	7.2%	8.3%	9.3%	8.8%	8.1%
Total floating rate	50,267	37,435	35,948	18,182	15,246	4,229	161,307
Total	88,511	413,212	37,737	18,849	15,246	540,858	1,114,413

The table below summarizes, as at December 31, 2003, our fixed rate debt and floating rate debt.

	Amounts due within						Total
	1 year	1- 2 years	2- 3 years	3- 4 years	4- 5 years	>5 years	
(in thousands of U.S. Dollars, except percentages)							
Fixed rate:							
US dollar	45,019	19,903	73,680	4,467	943	536,681	680,693
Av Int rate	3.2%	3.2%	2.2%	3.2%	2.4%	10.0%	8.4%
MTSA (SEK)	–	–	327,635	–	–	–	327,635
Pakistan	8,944	–	–	–	–	–	8,944
Paraguay	3,551	–	–	–	–	–	3,551
Sri Lanka	876	–	–	–	–	–	876
Senegal	7,466	8,179	626	713	602	–	17,586
Local currency	20,837	8,179	328,261	713	602	–	358,592
Av Int rate	8.4%	11.5%	5.0%	11.5%	11.5%	–	5.4%
Total fixed rate	65,856	28,082	401,941	5,180	1,545	536,681	1,039,285
Floating rate:							
US dollar	38,823	205	1,066	50	56	484	40,684
Av Int rate	6.2%	8.5%	8.4%	6.2%	6.2%	6.2%	6.3%
Guatemala	–	–	–	–	–	21,945	21,945
Mauritius	2,163	712	–	–	–	–	2,875
Pakistan	4,984	14,350	8,734	8,734	–	–	36,802
Sri Lanka	7,661	6,789	1,222	–	–	–	15,672
Tanzania	709	1,484	1,484	–	–	–	3,677
Vietnam	12,468	–	–	–	–	–	12,468
Local currency	27,985	23,335	11,440	8,734	–	21,945	93,439
Av Int rate	7.7%	8.6%	5.3%	4.1%	–	8.0%	7.4%
Total floating rate	66,808	23,540	12,506	8,784	56	22,429	134,123
Total	132,664	51,622	414,447	13,964	1,601	559,110	1,173,408

We have not historically used interest rate swaps, forward rate agreements or other futures contracts but instead have mainly managed our interest exposure by diversifying our debt between fixed and floating-rate loans. In the future, we may use such instruments to manage our interest exposure. There can be no assurance, however, that the use of any such instruments will be effective.

Included in the total for U.S. dollar fixed-rate balances in 2004 above is \$901,635,000 in respect of the book value of 10% Senior Notes and the 5% Mandatory Exchangeable Notes for which the fair value as of December 31, 2004 is \$892,823,000,. For all other amounts, the fair value is taken to be the book value as stated above.

### **Exchange Rate Risk**

We are exposed to fluctuations of the U.S. dollar against certain other currencies. We publish our financial statements in U.S. dollars while a significant proportion of our assets, liabilities, sales and costs are denominated in other currencies. We conduct our business in 16 different currencies.

We seek to protect our reported earnings from falling in U.S. dollar terms, from currency depreciation, by periodically adjusting our prices in local currency terms to reflect any such depreciation. In certain countries that experience very high inflation, we set our prices in direct relation to the U.S. dollar. However, there can be no assurance that a significant devaluation of a currency against the U.S. dollar can be offset, in whole or in part, by a corresponding price increase, even over the long term. For example, the devaluation of the currency in Paraguay in 2002 had an adverse effect on the results of our operations. For the years ended December 31, 2004, 2003 and 2002, we suffered

exchange losses of \$26,796,000, \$45,602,000 and \$23,483,000 respectively. In 2004 and 2003 the main portion of the exchange loss related to the revaluation of the 5% Mandatory Exchangeable Notes



which are denominated in Swedish Krona. To some extent, the broad mix of currencies in which we conduct our businesses and the geographic spread of our operations provide us with some measure of protection against specific exchange rate movements and reduces the overall sensitivity of our results to specific exchange rate fluctuations. We do not generally hedge our foreign currency exposure as it is considered that the cost of purchasing financial instruments outweighs the benefits derived.

At the venture level, we seek to reduce our foreign exchange exposure arising from transactions through a policy of matching, as far as possible, assets and liabilities. In some cases, we may borrow in U.S. dollars either because it is advantageous for ventures to incur debt obligations in U.S. dollars or because dollar denominated borrowing is the only funding source available to a venture. In these circumstances, we decided to accept the inherent currency risk, principally because of the relatively high cost of buying, or inability to buy, forward cover in currencies of the countries in which we operate. See Note 2 of the "Notes to the Consolidated Financial Statements".

The following table summarizes our debt detailing the balances at December 31, 2004, that were denominated in U.S. dollars and that in other local currencies.

	Amounts due within						Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 yrs	
	(in thousands of US dollars, except percentages)						
US dollar	31,670	27,691	17,431	9,218	8,347	537,076	631,433
MTSA (SEK)	–	365,006	–	–	–	–	365,006
Guatemala	–	4,728	4,728	4,728	4,728	3,782	22,694
Mauritius	1,444	950	1,876	346	–	–	4,616
Pakistan	13,345	9,241	8,414	–	–	–	31,000
Paraguay	11,543	–	–	–	–	–	11,543
Senegal	16,148	673	769	646	–	–	18,236
Sri Lanka	485	1,628	2,171	2,171	2,171	–	8,626
Tanzania	5,213	3,295	2,348	1,740	–	–	12,596
Vietnam	8,663	–	–	–	–	–	8,663
Local currency	56,841	385,521	20,306	9,631	6,899	3,782	482,980
Total	88,511	413,212	37,737	18,849	15,246	540,858	1,114,413

The following table summarizes our debt detailing the balances at December 31, 2003, that were denominated in U.S. dollars and that in other local currencies.

	Amounts due within						Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 yrs	
	(in thousands of US dollars, except percentages)						
US dollar	83,842	20,108	74,746	4,517	999	537,165	721,377
MTSA (SEK)	–	–	327,635	–	–	–	327,635
Guatemala	–	–	–	–	–	21,945	21,945
Mauritius	2,163	712	–	–	–	–	2,875
Pakistan	13,928	14,350	8,734	8,734	–	–	45,746
Paraguay	3,551	–	–	–	–	–	3,551
Senegal	7,466	8,179	626	713	602	–	17,586
Sri Lanka	8,537	6,789	1,222	–	–	–	16,548
Tanzania	709	1,484	1,484	–	–	–	3,677
Vietnam	12,468	–	–	–	–	–	12,468

Local currency	48,822	31,514	339,701	9,447	602	21,945	452,031
Total	132,664	51,622	414,447	13,964	1,601	559,110	1,173,408

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## **PART II**

### **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

### **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

### **ITEM 15. CONTROLS AND PROCEDURES**

As of December 31, 2004, the Company, under the supervision and with the participation of the Company's management, including the Chief Executive Officer, the Chief Financial Controller and the Chief of Finance–Global Operations, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosures. The Company's management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding management's control objectives. Based on this evaluation, the Company's Chief Executive Officer, Chief Financial Controller and Chief of Finance–Global Operations concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level for recording, processing, summarizing and reporting the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC's rules and forms.

There has been no change in the Company's internal controls over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Board of Directors has appointed Michel Massart as its Audit Committee financial expert. Mr. Massart is an "independent" financial expert as such term is defined under the NASDAQ National Market listing requirements.

### **ITEM 16B. CODE OF ETHICS**

Millicom has adopted a code of ethics applicable to its Chief Executive Officer, Chief Financial Controller and Chief of Finance–Global Operations and to all other Millicom employees. The text of this code is available free of charge upon written request addressed to: General Counsel, Millicom International Cellular S.A., 75 Route de Longwy, L-8080 Bertrange, Grand-Duchy of Luxembourg, fax: + 352 27 759 359.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table summarizes the aggregate amounts paid to Millicom's auditors for the years ended December 31, 2004 and 2003.

	2004	2003
Audit Fees	1,768,735	2,265,498
Audit-Related Fees	4,010	4,010
Tax Fees	41,724	90,952
All Other Fees	3,500	19,796
Total	1,817,969	2,380,256

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

**Audit Committee Pre-approval Policies**

Consistent with SEC policies regarding auditor independence, the Audit Committee has revised its policies and procedures relating to pre-approval of audit and non-audit services. The policies and procedures now provide that no non-audit services can be rendered by Millicom's auditors without the prior consent of the Audit Committee.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES**

Not applicable.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

Not applicable.

### ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-83.

### ITEM 19. EXHIBITS

- 1.1 Articles of Association of Millicom International Cellular S.A.
- 2.1 Indenture, dated January 7, 2005 between Millicom International Cellular S.A. and The Bank of New York, as Trustee.
- 2.2 Trust Deed, dated August 7, 2003 between Millicom Telecommunications S.A., Millicom International Cellular S.A. and Deutsche Trustee Company Limited.\*
- 2.3 Indenture, dated as of November 24, 2003 between Millicom International Cellular S.A. and The Bank of New York, as Trustee, as amended (incorporated by reference to Exhibits 4.1 and 4.3 of the Company's registration statement on Form F-4 (File No. 333-112948) filed on February 19, 2004 and January 13, 2005, respectively).
- 4.1. Business Co-Operation Contract dated June 2, 1994, as amended, among Vietnam Mobile Services Co., Industriforvaltnings AB Kinnevik and Comvik International Vietnam AB.\*\*
- 7.1 Explanation of the calculation of (loss) earnings per share.\*
- 12.1 Certification of Marc Beuls required by Securities Exchange Act of 1934, as amended ("Exchange Act"), Rule 13a-14(a).
- 12.2 Certification of Bruno Nieuwland required by Exchange Act Rule 13a-14(a).
- 12.3 Certification of Judy Tan required by Exchange Act Rule 13a-14(a).
- 13.1 Certification of Marc Beuls, Bruno Nieuwland and Judy Tan required by Exchange Act Rule 13a-14(b).
- 14.1 Consent of PricewaterhouseCoopers S. à r. l. to the incorporation by reference of their report dated May 2, 2005 in the Company's Registration Statement on Form F-3 (No. 333-111779).

\* Previously filed with the Securities and Exchange Commission with the Company's Form 20-F filed on April 30, 2004 and herein incorporated by reference.

\*\* Previously filed with the Securities and Exchange Commission with the Company's Form 20-F/A filed on January 13, 2005 and incorporated herein by reference.

## INDEX TO FINANCIAL STATEMENTS

### **Audited Consolidated Financial Statements of Millicom and its Subsidiaries for the Years Ended December 31, 2004, 2003 and 2002**

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**PricewaterhouseCoopers**  
**Société à responsabilité limitée**  
**Réviseur d'entreprises**  
400, route d'Esch  
B.P. 1443  
L-1014 Luxembourg  
Téléphone +352 494848-1  
Facsimile +352 494848-2900

**Report of Independent Registered Public Accounting Firm**

To the shareholders of  
**Millicom International Cellular S.A.**

We have audited the accompanying consolidated balance sheets of Millicom International Cellular S.A. and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of profit and loss, changes in shareholders' equity and cash flows for the three years ended December 31, 2004, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Millicom International Cellular S.A. and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004, in conformity with International Financial Reporting Standards as published by the International Accounting Standards Board.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 32 to the consolidated financial statements.

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises

Luxembourg, May 2, 2005

**Millicom International Cellular S.A.**

**Consolidated balance sheets**

**As of December 31, 2004 and 2003**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>
		US\$ '000	US\$ '000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets			
Goodwill, net	4	37,702	49,578
Licenses, net	5	277,705	30,889
Other intangible assets, net	6	2,561	3,351
Property, plant and equipment, net	7	575,649	489,543
Financial assets			
Investment in Tele2 AB shares	8	351,882	479,040
Investment in other securities	9	10,540	25,397
Investments in associates	3	2,220	1,340
Embedded derivative on the 5% Mandatory Exchangeable Notes	18	45,255	–
Pledged deposits	11	25,544	23,785
Deferred taxation	24	5,883	5,226
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,334,941</b>	<b>1,108,149</b>
<b>CURRENT ASSETS</b>			
Financial assets			
Investment in other securities	9	15,327	15,291
Inventories	12	16,304	10,941
Trade receivables, net	13	141,972	113,750
Amounts due from joint ventures and joint venture partners	3	11,715	13,137
Amounts due from other related parties	30	2,067	2,905
Prepayments and accrued income		36,875	19,739
Other current assets	14	62,377	49,583
Pledged deposits		9,260	7,745
Time deposits	15	610	32,880
Cash and cash equivalents	16	413,381	148,829



<b>TOTAL CURRENT ASSETS</b>	709,888	414,800
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	2,044,829	1,522,949
	<hr/>	<hr/>

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

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	Notes	2004 US\$ '000	2003 US\$ '000
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>	17		
Share capital and premium		513,782	239,876
Treasury stock		(8,833)	(8,833)
2% PIK Notes–equity component		–	16,006
Legal reserve		13,577	4,256
Retained losses brought forward		(276,608)	(446,110)
Net profit for the year		68,241	178,823
Currency translation reserve		(71,116)	(69,198)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>239,043</b>	<b>(85,180)</b>
Minority interest		43,351	26,571
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
10% Senior Notes	18	536,629	536,036
2% PIK Notes–debt component	18	–	50,923
5% Mandatory Exchangeable Notes–debt component	18	365,006	327,635
Embedded derivative on the 5% Mandatory Exchangeable Notes	18	–	103,457
Other debt and financing	18	124,267	126,150
Other non-current liabilities	19	194,774	–
Deferred taxation	24	39,216	38,006
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,259,892</b>	<b>1,182,207</b>
<b>CURRENT LIABILITIES</b>			
Other debt and financing	18	88,511	132,664
Trade payables		173,969	107,424
Amounts due to joint ventures	3	7,760	5,340
Amounts due to other related parties	30	975	608
Accrued interest and other expenses		55,203	44,673
Other current liabilities	19	176,125	108,642
<b>TOTAL CURRENT LIABILITIES</b>		<b>502,543</b>	<b>399,351</b>
<b>TOTAL LIABILITIES</b>		<b>1,762,435</b>	<b>1,581,558</b>

<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	2,044,829	1,522,949

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

**Millicom International Cellular S.A.**

**Consolidated statements of profit and loss**

**for the years ended December 31, 2004, 2003 and 2002**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
		US\$ '000	US\$ '000	US\$ '000
Revenues	20	921,466	647,104	605,186
Cost of sales	20,23	(388,334)	(258,002)	(259,530)
<b>GROSS PROFIT</b>		<b>533,132</b>	<b>389,102</b>	<b>345,656</b>
Sales and marketing		(122,705)	(87,575)	(80,941)
General and administrative expenses	23	(127,400)	(108,449)	(186,491)
Gain (loss) from sale of subsidiaries and joint ventures, net	23	(2,207)	2,213	88,814
Other operating expenses	4, 23	(35,225)	(32,776)	(44,725)
Other operating income	29	3,287	–	–
<b>OPERATING PROFIT</b>		<b>248,882</b>	<b>162,515</b>	<b>122,313</b>
Gain (loss) and valuation movement on investment in securities	8,9	(126,957)	246,760	(299,963)
Interest expense	18	(108,534)	(135,172)	(185,959)
Interest income		7,706	4,836	12,726
Other financial income	18	–	96,748	42,247
Fair value result on financial instruments	10,18	148,816	(84,578)	(7,858)
Exchange loss, net	18	(26,796)	(45,602)	(23,483)
Profit from associates	3	814	380	62
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>143,931</b>	<b>245,887</b>	<b>(339,915)</b>
Charge for taxes	24	(58,900)	(52,369)	(22,734)
<b>PROFIT (LOSS) AFTER TAX</b>		<b>85,031</b>	<b>193,518</b>	<b>(362,649)</b>
Minority interest		(16,790)	(14,695)	(22,494)
<b>NET PROFIT (LOSS) FOR THE YEAR</b>		<b>68,241</b>	<b>178,823</b>	<b>(385,143)</b>
Earnings per share for the year (expressed in US\$ per common share)	31			
–Basic		0.82	2.74	(5.90)
–Diluted		0.77	2.26	(5.90)

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

**Millicom International Cellular S.A.**

**Consolidated statements of cash flows**

**for the years ended December 31, 2004, 2003 and 2002**

	<u>Notes</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
		US\$ '000	US\$ '000	US\$ '000
<b>Cash flows from operating activities</b>				
Net cash provided by operating activities	25	303,243	184,322	67,279
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flow from investing activities</b>				
Acquisition of subsidiaries and joint ventures, net of cash acquired	26	(1,006)	1,028	(2,000)
Cash impact of change in consolidation method		12	112	–
Proceeds from the disposal of subsidiaries and joint ventures, net of cash disposed	27	961	8,848	135,071
Purchase of intangible assets		(38,891)	(3,569)	(5,205)
Purchase of financial assets	9	–	(45,328)	(186)
Proceeds from the disposal of financial assets	8, 9	15,490	41,036	167,082
Purchase of property, plant and equipment		(197,873)	(86,452)	(135,818)
Proceeds from the sale of property, plant and equipment		82	3,296	307
Advances made to joint ventures and joint venture partners		(4,153)	(1,893)	(7,436)
Repayment of advances to joint ventures and joint venture partners		5,752	2,758	305
Advances from joint ventures		2,420	38	5,302
Purchase of pledged deposits		(9,045)	(9,228)	(30,958)
Disposal of pledged deposits		6,686	11,599	14,452
Purchase of time deposits		(12)	(30,079)	(11,890)
Disposal of time deposits		32,430	12,283	17,941
		<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used) provided by investing activities		(187,147)	(95,551)	146,967
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flow from financing activities</b>				
Proceeds from issuance of shares		205,920	–	–
Proceeds from issuance of debt and financing		102,156	969,607	182,828
Repayment of debt and financing		(155,071)	(899,008)	(363,584)
Cash outflows related to debt restructuring		–	(68,068)	–
Payment of dividends to minority interests		(3,163)	(12,541)	(16,536)
Payments to shareholders		–	(1,628)	–
Net purchase of treasury stocks		–	–	(2,488)
		<u>          </u>	<u>          </u>	<u>          </u>
Net cash (used) provided by financing activities		149,842	(11,638)	(199,780)
		<u>          </u>	<u>          </u>	<u>          </u>
<b>Exchange gains/(losses) on cash and cash equivalents</b>		(1,386)	1,245	(291)
<b>Net increase in cash and cash equivalents</b>		264,552	78,378	14,175
<b>Cash and cash equivalents at beginning of year</b>		148,829	70,451	56,276
		<u>          </u>	<u>          </u>	<u>          </u>

Cash and cash equivalents at end of year

413,381

148,829

70,451

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

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**Millicom International Cellular S.A.**

**Consolidated statements of changes in shareholders' equity**  
**for the years ended December 31, 2004, 2003 and 2002**

	<b>Number of shares(iv)</b>	<b>Number of shares held in the Group(iv)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Treasury stock</b>	<b>2% PIK Notes(ii)</b>	<b>Accumulated profit and loss account</b>	<b>Other reserves(i)</b>	<b>Total</b>
	<b>'000</b>	<b>'000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Balance as of January 1, 2002	94,833	(29,180)	142,249	139,740	(52,033)	–	(57,719)	(103,343)	68,894
Shares purchased during the year	–	(515)	–	–	(2,488)	–	–	–	(2,488)
Loss for the year	–	–	–	–	–	–	(385,143)	–	(385,143)
Prolonged decrease in market value of Tele2 AB shares	–	–	–	–	–	–	–	61,325	61,325
Movement in currency translation reserve	–	–	–	–	–	–	–	(37,847)	(37,847)
Balance as of December 31, 2002	94,833	(29,695)	142,249	139,740	(54,521)	–	(442,862)	(79,865)	(295,259)
Effect of consolidation of El Salvador	–	–	–	–	–	–	(3,248)	–	(3,248)
Profit for the year	–	–	–	–	–	–	178,823	–	178,823
Issuance of 2% PIK Notes–equity component	–	–	–	–	–	16,248	–	–	16,248
Disposal/Cancellation of treasury stock	(28,863)	29,040	(43,294)	–	45,688	–	–	–	2,394
Conversion of 2% PIK Notes	350	–	524	657	–	(242)	–	–	939
Movement in currency translation reserve	–	–	–	–	–	–	–	14,923	14,923
Balance as of December 31, 2003	66,320	(655)	99,479	140,397	(8,833)	16,006	(267,287)	(64,942)	(85,180)
Profit for the year	–	–	–	–	–	–	68,241	–	68,241
Conversion/Redemption of 2% PIK Notes	23,230	–	34,845	33,141	–	(16,006)	–	–	51,980
Issuance of shares(iii)	9,000	–	13,500	195,660	–	–	–	–	209,160
Shares issued via the exercise of stock options	669	–	1,004	1,864	–	–	–	–	2,868
Transaction costs on issuance of shares	–	–	–	(6,108)	–	–	–	–	(6,108)
Transfer to legal reserve	–	–	–	–	–	–	(9,321)	9,321	–
Movement in currency translation reserve	–	–	–	–	–	–	–	(1,918)	(1,918)
Balance as of December 31, 2004	99,219	(655)	148,828	364,954	(8,833)	–	(208,367)	(57,539)	239,043

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- (i) Other reserves at December 31, 2004 consist of a \$(71,116,000) currency translation reserve (2003: \$(69,198,000), 2002: \$(84,121,000)) and a \$13,577,000 legal reserve (2003: \$4,256,000, 2002: \$4,256,000).
- (ii) See Note 18
- (iii) See Note 17
- (iv) After stock split of February 20, 2004 (See Note 17)

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



# **Millicom International Cellular S.A.**

## **Notes to the consolidated financial statements**

**As of December 31, 2004, 2003 and 2002**

### **1. ORGANIZATION**

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 cellular telephone services in the world's emerging markets. As of December 31, 2004, Millicom has interests in 17 cellular systems in 16 countries, focusing on emerging markets in South East Asia, South Asia, Central America, South America and Africa. The Company's shares are traded on the NASDAQ National Market under the symbol MICC, on Stockholmsbörsen (the Stock Exchange in Stockholm, Sweden) and on the Luxembourg stock exchange under the symbol MIC. The Company has its registered office at 75, Route de Longwy, L-8080, Bertrange, Grand-Duchy of Luxembourg and is registered with the Luxembourg Register of Commerce under the number RCS B 40 630.

Millicom's cellular telephone interests operate through strategic entities in the following geographic regions of the world (Note 3):

South East Asia including operations in Cambodia, Lao, and Vietnam;

South Asia including operations in Pakistan and Sri Lanka;

Central America including operations in El Salvador, Guatemala and Honduras;

South America including operations in Bolivia and Paraguay;

Africa including operations in Chad (expected to start in 2005), Ghana, Mauritius, Senegal, Sierra Leone and Tanzania.

In 2004, Millicom sold its interest in its operation in Argentina and in 2003 its interest in its operation in Colombia. In 2002, Millicom disposed of MIC Systems, including MACH, its GSM clearing-house, and disposed of its operation in the Philippines.

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 cellular joint ventures to form the Group. During 1992, the Group was restructured under a new ultimate parent company, maintaining the same name. On December 31, 1993, Millicom Inc. was merged ("the Merger") into a wholly owned subsidiary of Millicom, MIC-USA Inc. ("MIC-USA") a Delaware corporation, and the outstanding shares of Millicom Inc.'s common stock were exchanged for approximately 46.5% of Millicom's common stock outstanding at that time.

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

#### *Basis of preparation*

The consolidated financial statements of the Group are presented in U.S. dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets and liabilities. These consolidated financial statements are not prepared for the purposes of statutory filing.

The preparation of financial statements in conformity with IFRS requires the use of 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 those estimates.

### *Changes in accounting policies in 2003*

The consolidated financial statements as of December 31, 2004 are prepared in accordance with consolidation and accounting policies consistent with the consolidated financial statements as of December 31, 2003 and December 31, 2002, except for the accounting policy with respect to the unrealised gains and losses of available-for-sale securities. Prior to January 1, 2003 these gains or losses were recorded within shareholders' equity under a caption "revaluation reserve". When the securities were sold, impaired or there was a significant and prolonged decline in the fair value below acquisition cost, the accumulated fair value adjustments were included in the consolidated statements of profit and loss as gains or losses on investment securities.

As from January 1, 2003 management determined that it was more appropriate to record the change in fair value of available-for-sale securities in the consolidated statements of profit and loss. Accordingly the Board of Directors decided to change the accounting policy for fair value adjustments of available-for-sale securities and to record these adjustments in the consolidated statement of profit and loss as from January 1, 2003. Millicom adopted the allowed alternative treatment for change in accounting policy as defined in IAS 8 *"Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies"*, which requires any adjustment resulting from retrospective application of the change in accounting policy to be included in the determination of the net profit or loss for the current period. Because Millicom recorded an impairment loss in the statement of profit and loss based on the value of available-for-sale securities as of December 31, 2002, only the change in value from January 1 to December 31, 2003 has been recorded to reflect the change in accounting principle at December 31, 2003. Had Millicom applied the same accounting principle in prior years the retained losses and losses for the year ended December 31, 2002 would have been as follows:

	<u>2002</u>
	US\$ '000
Net loss as reported for the year	(385,143)
Effect of change in accounting policy with respect to the fair value adjustments of available-for-sale securities	61,325
	<u>          </u>
Net loss as adjusted for the year	(323,818)
	<u>          </u>
Adjusted basic earnings per share for the year (expressed in U.S.\$ per share)	(4.96)
	<u>          </u>

The reconciliation between retained losses as previously reported and retained losses as adjusted is as follows:

	<u>2002</u>
	US\$ '000
Retained losses as reported as of January 1, 2002	(57,719)
Effect of change in accounting policy with respect to the fair value adjustments of available-for-sale securities	(61,325)
Retained losses as adjusted as of January 1, 2002	(119,044)
Net loss as adjusted for the year	(323,818)
	<u>          </u>
Retained losses as of December 31, 2002	(442,862)
	<u>          </u>



The consolidated financial statements are prepared in accordance with the following significant consolidation and accounting policies:

*a) Group accounting*

*Subsidiaries*

Subsidiaries, which are those entities (including Special Purpose Entities) controlled by the Group are consolidated. Control is presumed to exist when the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

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 consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase 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, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's share of the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See Note 2(c) and Note 2(x) for the accounting policy on goodwill and business combinations that occurred on or after March 31, 2004. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

*Joint ventures*

Entities that are jointly controlled are consolidated using the proportional method which combines the Group's assets, liabilities, income and expenses with the Group's share of the assets, liabilities, income and expenses of the joint ventures in which the Group has an interest.

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 from the joint venture 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*

Investments in associates are accounted for using the equity method of accounting. Under this method the Company's share of the post-acquisition profits or losses of associates is recognized in the consolidated statements of profit and loss. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally holds between 20% and 50% of the voting rights, or in which the Group has significant influence, but which it does not control. 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. The Group's investment in associates includes goodwill (net of accumulated amortization) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

b) Foreign currency translation

i) Presentation and measurement currency

The presentation currency of the Group is the U.S. dollar. The Company is located in Luxembourg and its subsidiaries, joint ventures and associates operate in different currencies. The measurement currency of the Company is the U.S. dollar because of the significant influence of the U.S. dollar on its operations. The measurement currency of each subsidiary, joint venture and associates reflects the economic substance of the underlying events and circumstances of these entities and is determined in accordance with the requirements of SIC 19 'Reporting Currency-Measurement and Presentation of Financial Statements under IAS 21 and IAS 29'.

ii) Transactions and balances

In the financial statements of the Group's entities, transactions denominated in currencies other than the measurement currency are recorded in the measurement currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the measurement currency are reported at the exchange rates prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the consolidated statements of profit and loss.

For the purposes of consolidating joint ventures and subsidiaries with measurement currencies other than U.S. dollars, the balance sheets are translated to U.S. dollars using the closing exchange rate. Profit and loss accounts are translated to U.S. dollars at the average exchange rate during the year. Foreign exchange gains and losses arising from the translation of financial statements are recorded as a separate component of shareholders' equity under the caption "Currency translation reserve".

The following is a table of the principal currency translation rates to the U.S. dollar as of December 31, 2004 and 2003 and the average rates for the year ended December 31, 2004.

Country	Currency	2004	2004	2003
		Average rate	Year-end rate	Year-end rate
Argentina	Pesos	2.94	2.97	2.93
Bolivia	Bolivianos	7.93	8.04	7.80
Chad	CFA franc	526.00	482.73	520.04
Ghana	Cedi	8,982.52	9,002.00	8,850.00
Guatemala	Quetzal	7.95	7.76	8.02
Honduras	Lempira	18.20	18.63	17.74
Lao	Kip	10,733.85	10,496.00	10,599.00
Luxembourg	Euro	0.80	0.74	0.79
Mauritius	Rupee	27.52	28.18	26.20
Pakistan	Rupee	58.41	59.43	57.25
Paraguay	Guarani	5,986.35	6,115.00	6,100.00
Senegal	CFA franc	526.00	482.73	520.04
Sierra Leone	Leone	2,464.69	2,406.00	2,450.00
Sri Lanka	Rupee	101.09	104.48	96.95
Sweden	Kroner	7.31	6.65	7.19
Tanzania	Shilling	1,087.74	1,040.50	1,057.54

Unrealized gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, 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 period.

### *iii) Foreign exchange risk*

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

### *c) Intangible assets*

#### *Goodwill*

The excess of cost of an acquisition over the Group's share in the fair value of the net identifiable assets of the acquired subsidiary, joint venture or associate at the date of transaction is recorded as goodwill and recognized as an asset in the balance sheet. The resulting goodwill is allocated to the cash-generating unit acquired. Goodwill is amortized using the straight-line method over its estimated useful life but not longer than 20 years. Goodwill on associates is included in their carrying value in the caption "Investments in associates".

At each balance sheet date the Group assesses whether there is any indication of impairment of its recorded goodwill. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. An impairment is recorded if the carrying amount exceeds the recoverable amount, as measured by reference to the fair value of the cash-generating unit.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the identifiable non-monetary assets acquired, is recognized in the consolidated statements of profit and loss over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets; negative goodwill in excess of the fair values of those assets is recognized in the consolidated statements of profit and loss immediately.

See Note 2x for a discussion on IFRS 3 "Business Combinations".

#### *Licenses*

The carrying value of licenses for the right to provide mobile cellular, wireless and other telephone services as well as related ancillary services held by joint ventures and subsidiaries is disclosed in Note 5.

The Group operates in an industry that is subject to changes in competition, regulation, technology and subscriber base evolution. In addition, the terms of the licenses, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate making, frequency allocation and technical standards. Licenses are initially measured at cost and are amortized using the straight-line basis over periods of five to 20 years depending on the term of the license. Licenses held, subject to certain conditions, are usually renewable and are generally non-exclusive. Under the terms of the respective licenses, the joint ventures and subsidiaries are entitled to enter into interconnection agreements with operators of both landline and other cellular networks.

### *Software development costs*

The Group capitalizes internal software development costs. The capitalization of these costs begins when a software package's technological feasibility has been established and the costs can be measured reliably and ends when the software package is completed and ready for use. On completion of each software package, such costs are amortized on a straight-line basis over three to five years with a periodic evaluation as to their ultimate realization.

### *d) Property, plant and equipment*

(i) Property, plant and equipment is stated at cost and depreciated 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 virtually certain. All repairs and maintenance expenditures are expensed as they occur.

Maximum estimated useful lives are:

Buildings	40 years or life of lease if lower
Networks	five to ten years
Other	two to seven years

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

Costs directly associated with the establishment of new networks primarily relate to engineering and design work for the installation of the network and systems integral to its operation.

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

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.

### *(ii) Borrowing costs*

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.

### *e) Impairment of long lived assets*

The recoverability of the Group's assets, including its intangible assets, is subject to the future profitability of the Group's operations and the evolution of the business in accordance with its plans. In evaluating the recoverability of its assets, the value and future benefits of the Group's operations are periodically reviewed by management based on technological, regulatory and market conditions. When certain operational and financial factors indicate an impairment of value, the Group evaluates the carrying value of property, plant and equipment as well as other assets including licenses and goodwill, in relation to the operating performance, and future cash flows of the underlying assets. When indicated, the impairment losses are measured based on the difference between the estimated recoverable amount and the carrying amount of the asset. Management's estimates of recoverable amounts for the individual asset or, if appropriate, the cash-generating unit, are based on prices of





similar assets, to the extent available in the circumstances, and the result of valuation techniques. These include net present values of estimated future cash flows and valuations based on market transactions in similar circumstances. For new product launches where no comparable market information is available, management bases its view on recoverability primarily on cash flow forecasts. 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. Management also review on a regular basis the terms and conditions for license renewal and when the latter is virtually certain, determine accordingly the useful live of the assets associated with the license. In 2004, 2003 and 2002, management recorded an impairment loss on certain assets (Note 23).

#### *f) Financial instruments*

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

After initial recognition, the Group revalues financial assets held as available-for-sale and derivatives to fair value.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option-pricing models using management's estimates as appropriate.

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### *Investment in securities*

The Group classified its investments in debt and equity securities into the following categories: held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Available-for-sale securities are reported at fair value. Prior to January 1, 2003, net unrealized gains or losses were recorded within shareholders' equity under the caption "Revaluation reserve". When the securities were sold, impaired or there was a significant and prolonged decline in the fair value below acquisition cost, the accumulated fair value adjustments were included in the consolidated statements of profit and loss as gains and losses on investment securities. As from January 1, 2003, management determined that it was appropriate to record the change in fair market value of available-for-sale securities in the consolidated statements of profit and loss. Accordingly, the Board of Directors decided to change the accounting policy for fair value adjustments of available-for-sale securities and to record these adjustments in the consolidated statements of profit and loss as from January, 1, 2003. Millicom adopted the allowed alternative treatment for change in accounting policy as defined in IAS 8 'Net profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies' which requires any adjustment resulting from retrospective application of the change in accounting policy to be included in the determination of the net profit or loss for the current period (Note 2–Changes in accounting policies).

The Group determines the fair value of its available-for-sale securities based on quoted market prices if available. The fair value of non-marketable securities is based on management's best estimate of the amount at which the securities could be sold in a current transaction.

Unquoted available-for-sale equity investments are reviewed for impairment losses every balance sheet date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows. The discount rate applied is based upon current market assessments of the time value of money and the risks specific to the investment. When the level of information available to calculate the net present value of expected future cash flows makes this exercise unworkable, management use different valuation techniques to estimate whether there is objective evidence of impairment and to determine the likely amount of impairment, if any.

Held-to-maturity investments are carried at amortized cost using the effective yield method.

### *Borrowings*

Borrowings are initially recognized at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of profit and loss as interest charge or income over the period of the borrowings.

Gains or losses on restructuring of borrowings are recorded in "Other financial income".

Other debt and financing is primarily comprised of bank loans bearing market rates of interest that vary on a regular basis.

When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability based on the amortized cost until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognized and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

### *Derivative financial instruments*

International Accounting Standard No.39 "Financial Instruments: Recognition and Measurement" requires that all financial assets and financial liabilities, including derivatives, be recognized on the balance sheet. Derivatives are initially recorded at cost and then re-measured to fair value through the consolidated statements of profit and loss under the caption "Fair value result on financial instruments".

A derivative embedded in a financial instrument, such as the embedded derivative on the 5% Mandatory Exchangeable Notes in Tele2 AB series B shares (Note 18), 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.

### *Trade receivables*

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables 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. The amount of the provision is the difference between the carrying amount and the

recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

#### *g) Leases*

Operating lease rentals are charged to the statement of profit and loss on a straight-line basis over the life of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

#### *h) Inventories*

Inventories consist of cellular telephone equipment and related accessories, which are classified as trading inventory, and network equipment spares, which are classified as non-trading inventory. Inventory is stated at the lower of cost or net realisable value, with cost determined on a first-in, first-out basis.

#### *i) Time and pledged deposits*

Time deposits represent cash deposits with banks that earn interest at market rates.

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

#### *j) Cash and cash equivalents*

Highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within "other debt and financing" in current liabilities on the balance sheet.

#### *k) Share capital*

Common shares are classified as equity. The portion of a convertible bond representing the fair value of the conversion option at the time of issue is included in equity (see Borrowings in Note 2 f).

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

#### *l) Provisions*

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

#### *m) Revenue recognition*

The Group revenue sources in the consolidated statements of profit and loss comprise the following:

##### *Revenues from provision of telecom services*

These recurring revenues consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees, revenues from the provision of data clearing services (until November 2002, when Millicom disposed of MACH, Note 23) and other telecommunications services such as data services and short message 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.

##### *Connection revenues*

Initial connection fees are recognized when charged, i.e. upon initial signing of the contract with customers.

##### *Equipment revenues*

These revenues consist of the sale of handsets and accessories. Revenues from these sales are recognized at the time that the item is delivered to the customer.

#### *n) Prepaid cards*

Prepaid cards 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".

#### *o) 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 channel, 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 (Note 2 e).

#### *p) Customer acquisition costs*

Specific customer acquisition costs, including handset subsidies and free phone promotions, are charged to sales and marketing when the subscriber is activated. Advertising costs are charged to sales and marketing when incurred and amount to \$29,803,000 for the year ended December 31, 2004 (2003: \$22,932,000; 2002: \$24,914,000).

#### *q) Equity compensation benefits*

Share options are granted to Directors, management and key employees. Options in 2004 were granted at an exercise price equal to the market price at date of grant plus a mark-up of 10%. Options



granted in 2003 and before were granted at an exercise price equal to the market price at date of grant. Options are exercisable in tranches beginning either one year or three years from the date of grant and have either an indefinite term or a contractual option term of a maximum of six years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (par value) and share premium. The Group does not make a charge to staff costs in connection with share options (see also Note 2 x).

#### *r) Taxation*

The companies of the Group are subject to taxation in the countries in which they operate. Corporate tax, including deferred taxation where appropriate, is applied at the applicable current rates on their taxable profits. Deferred income taxes are determined using the liability method whereby the future expected consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements are recognized as deferred tax assets and liabilities. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

#### *s) Earnings (loss) per common share*

Basic earnings (loss) per common share are based on the profit (loss) for the year divided by the weighted average number of common shares outstanding during the year taking into account, stock splits up to the date of approval of the financial statements. Diluted earnings (loss) per share is calculated by dividing the net income attributable to ordinary shareholders by the sum of the weighted average number of common shares outstanding during the year and the weighted average number of shares, which would be issued on the conversion of all the dilutive potential common shares into common shares. The Company has two categories of dilutive potential ordinary shares: convertible debt and share options.

#### *t) Amounts due from/to joint ventures*

In the ordinary course of business, the Company advances and receives cash from the joint ventures. Upon consolidation of the Group's financial statements, part of these advances are eliminated based on the Company's ownership percentage in each joint venture. The remaining amount represents the partner's share of the joint venture's balance with the Company and is recorded under the captions "Amounts due from joint ventures" and "Amounts due to joint ventures".

#### *u) Risk management*

##### *Liquidity Risk*

The Group has incurred significant indebtedness but evaluates its ability to meet its obligations on an ongoing basis. Based on these evaluations, the Group devises strategies to manage its liquidity risk, including the designation of certain assets as available-for-sale.

##### *Credit Risk*

Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, time and pledged deposits, letters of credit, available-for-sale securities and accounts receivable. The counter-parties to the agreements relating to the Group's cash





and cash equivalents, time deposits, pledged deposits and available-for-sale securities are reputable financial institutions. Management does not believe there is a significant risk of non-performance by these counter-parties. Accounts receivable are derived from the provision of telecom services to a large number of customers, including businesses and individuals as well as local telecommunications companies and the related concentration of credit risk is therefore limited. The Group maintains a provision for impairment of trade receivables based upon the expected collectability of all trade accounts receivable.

*v) Segment reporting*

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

*w) Comparatives*

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

*x) New and revised accounting standards*

On February 19, 2004 the IASB issued International Financial Reporting Standard No. 2 ("IFRS 2"), *Share-based payments*. Amongst others, IFRS 2 requires companies to recognize a charge in the income statement for share-based awards to employees over the period from the grant date to the vesting date. The charge is assessed on a fair value basis, with measurement at the grant date. The fair value of share awards will be assessed using an option-pricing model. IFRS 2 applies to share-based awards granted after November 7, 2002 and that have not vested before January 1, 2005, the effective date of IFRS 2. Upon adoption of IFRS 2 on January 1, 2005, Millicom will restate its statements of profit and loss for the years ended December 31, 2003 and 2004 to record an estimated compensation expense of approximately \$0.4 million and \$1.9 million, respectively, and will also adjust the opening balance of retained earnings as of January 1, 2004 for an estimated cumulative compensation expense of approximately \$0.4 million.

On March 31, 2004 the IASB issued International Financial Reporting Standard No. 3 ("IFRS 3"), *Business Combinations*. Amongst others, IFRS 3 requires reporting enterprises to account for all business combinations as acquisitions, to recognize intangible assets arising from business combinations separately from goodwill, to recognize acquired measurable contingent liabilities, to allocate goodwill to cash-generating units, to cease amortization of goodwill and to test goodwill for impairment on an annual basis. IFRS 3 is mandatory for business combinations that are agreed on or after March 31, 2004. Millicom has elected to apply IFRS 3 prospectively. Therefore the accounting for past acquisitions will not change until January 1, 2005, when amortization of goodwill will cease and any existing negative goodwill will be recognized in the opening balance of equity. Goodwill amortization for the year 2004, 2003 and 2002 was \$8,242,000, \$6,695,000 and \$7,865,000 respectively. Negative goodwill as of December 31, 2004 is \$8,202,000. No business combinations have taken place within the Group since March 31, 2004.

On March 31, 2004, the IASB issued International Financial Reporting Standard No. 5 ("IFRS 5"), *Non-current Assets Held for Sale and Discontinued Operations*. IFRS 5 prescribes the measurement and presentation requirements for non-current assets "held for sale". Companies affected by IFRS 5 will be required to have new balance sheet line items, both for assets held for sale and associated liabilities. IFRS 5 applies to accounting periods beginning on or after January 1, 2005. Millicom expects to apply IFRS 5 to its operation in Peru as from that date.

In 2004, the IASB also issued International Financial Reporting Standard No. 4 ("IFRS 4"), *Insurance contracts*. IFRS 4, which is applicable as from January 1, 2005, specifies the financial reporting for insurance by an entity that issues such contracts. Millicom does not believe that IFRS 4 will have an impact on its consolidated financial statements.

Finally, during 2003 and 2004 the IASB released 15 revised standards and further amendments, including IAS 32 and IAS 39. Millicom is currently assessing the impact on its consolidated financial statements of adopting these revised standards, which will come into force on January 1, 2005.

Millicom has not elected to early adopt any of the revised IAS or other new IFRS standards.

### 3. SUBSIDIARIES, JOINT VENTURES, INVESTMENTS IN ASSOCIATES AND MANAGEMENT CONTRACT

#### a) Subsidiaries

The Group has the following significant subsidiaries:

Name of the company	Country	Holding	Holding
		December 31,	December 31,
		2004	2003
		% of ownership interest	% of ownership interest
South East Asia			
Millicom Lao Co. Ltd.(i)	Lao People's Democratic Republic	74.1	78.0
Comvik International (Vietnam) AB(ii)	Vietnam	80.0	80.0
South Asia			
Pakcom Limited	Pakistan	61.3	61.3
Paktel Limited	Pakistan	98.9	98.9
Celltel Lanka Limited	Sri Lanka	99.9	99.9
Central America			
Telemovil El Salvador SA(iii)	El Salvador	100.0	70.0
South America			
Telefonica Celular de Bolivia SA	Bolivia	100.0	100.0
Telefonica Celular del Paraguay SA	Paraguay	96.0	96.0
Africa			
Millicom (Ghana) Limited	Ghana	100.0	100.0
Sentel GSM	Senegal	75.0	75.0
Millicom Sierra Leone Limited	Sierra Leone	70.0	70.0
MIC Tanzania Limited(iv)	Tanzania	84.4	–
Millicom Tchad S.A.	Chad	87.5	–
Other			
Millicom Peru SA	Peru	100.0	100.0
Unallocated			

Millicom International Operations SA	Luxembourg	100.0	100.0
MIC-USA Inc	United States	100.0	100.0
Millicom Holding BV	Netherlands	100.0	100.0
Millicom International Operations BV	Netherlands	100.0	100.0
Millicom Telecommunications BV	Netherlands	100.0	100.0
Millicom Telecommunications SA	Luxembourg	100.0	100.0
MIC Latin America BV	Netherlands	100.0	100.0
Millicom International BV	Netherlands	100.0	100.0

- (i) Following the restructuring of Millicom's holding in December 2004, Millicom now has a 74.1% equity interest in Millicom Lao Co. Ltd. ("Millicom Lao"). Mr. Zaman, a private business partner and senior executive vice-president of Millicom now owns 3.9% of Millicom Lao.

- (ii) Comvik International (Vietnam) AB ("CIV"), a 80% owned subsidiary of the Company, and Vietnam Mobile Services Co. ("VMS") have entered into a revenue sharing agreement to operate a national cellular GSM system in Vietnam ("Mobifone"). This revenue sharing agreement, which had a ten year term starting May 19, 1995, provided that CIV would be entitled to receive 50% of Mobifone's net revenues for the first five years of operation and 40% thereafter. In October 2000, the revenue sharing agreement was amended and stated that Millicom would continue to receive 50% of net revenue in years six through ten of the contract agreement. CIV contracted to invest a total of \$209.5 million, of which approximately \$181.9 million has been disbursed as of December 31, 2004. At the time the revenue sharing agreement expires on May 18, 2005, legal title to all equipment shall be transferred to VMS at a price of \$1. This equipment is depreciated accordingly. Negotiations are ongoing to extend the cooperation with VMS.
- (iii) On September 15, 2003, Millicom's operation in El Salvador, Telemovil, entered into a share purchase agreement (the "Agreement") with the minority shareholders of Telemovil. The Agreement provided for the acquisition by Telemovil of 30% of its own shares for a consideration of \$70 million (the "Acquisition price") payable over a period of a maximum of 6 years and an annual dividend premium of \$1 million, with a corresponding net present value of \$67,371,000. Of this amount \$16 million was paid in cash at the closing of the transaction. Before full settlement, Telemovil had the ownership interest of 30% of its own shares, whilst the record title remained with an escrow agent for the benefit of the minority shareholders pending final settlement. Based on this Agreement, Millicom regained control and started reconsolidating Telemovil at 100% since September 15, 2003. The legal ownership interest of Millicom remained at 70% until the full settlement. In December 2004, Millicom settled the full acquisition price, bringing its legal ownership interest in the operation in El Salvador to 100%. For the period from September 15, 2003 to December 31, 2003 Telemovil contributed revenues of \$39,052,000, operating profit of \$11,852,000 and net income of \$4,795,000 to the Group, and assets and liabilities as at December 31, 2003 were respectively \$157,733,000 and \$103,307,000.
- (iv) On February 3, 2004, Millicom acquired 25% of Millicom Tanzania Limited from the Government of Tanzania bringing its ownership to 84.4%. As a result Millicom controls that company and treats it as a subsidiary as from that date.

*b) Joint ventures*

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

Name of the company	Country	Holding	Holding
		December 31,	December 31,
		2004	2003
		% of ownership	% of ownership
		interest	interest
South East Asia			
Cam GSM Company Limited	Cambodia	58.4	58.4
Royal Telecam International Limited	Cambodia	57.0	57.0
Central America			
Comunicaciones Celulares SA	Guatemala	55.0	55.0
Telefonica Celular	Honduras	50.0	50.0
Africa			
Emtel Limited(i)	Mauritius	50.0	50.0
MIC Tanzania Limited(ii)	Tanzania	–	59.4
Other			
Millicom Argentina SA(iii)	Argentina	–	65.0

- (i) In 2003, Mauritius was reclassified to the segment Africa.



- (ii) On February 3, 2004, Millicom acquired 25% of Millicom Tanzania Limited from the Government of Tanzania bringing its ownership to 84.4%. As a result Millicom controls that company and treats it as a subsidiary as from that date.
- (iii) In September 2004, Millicom completed the sale of Millicom Argentina S.A., its Argentinean operation, realizing a loss of \$2,061,000 on net proceeds of \$2,000,000.

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 the above ventures.

The following amounts have been consolidated into the Group accounts representing the Group's share of assets, liabilities, income and expenses in the above joint ventures, excluding divested operations.

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
Revenues	239,800	205,788	185,619
Total operating expenses	(155,071)	(141,770)	(137,909)
Operating profit	84,729	64,018	47,710
Property, plant and equipment, net	133,044	123,163	132,751
Goodwill, net	252	(90)	(296)
Licenses, net	9,060	8,382	2,531
Other intangible assets, net	963	2,176	2,292
Total non-current assets	146,411	138,552	141,277
Current assets	72,681	77,087	67,992
Amounts due from joint ventures to Millicom	11,715	9,052	10,629
Amounts due to joint ventures from Millicom	(7,760)	(5,340)	(5,302)
Liabilities due after more than one year	(33,638)	(42,578)	(40,340)
Liabilities due within one year	(74,589)	(73,487)	(65,002)
Cash flow:			
Cash provided by operating activities	103,309	83,262	61,965
Cash flow from investing activities	(47,420)	(25,389)	(42,921)
Cash flow from financing activities	(255)	(6,530)	957

*c) Investments in associates*

The movements in investments in associates were as follows:

	<u>2004</u>	<u>2003</u>
	US\$	US\$
	'000	'000
Opening balance	1,340	1,013
Share of results(i)	814	380
Exchange differences	66	(53)
Closing balance	2,220	1,340

(i) In 2004, Millicom's share of tax in associates was \$nil (2003: \$nil)

As at December 31, 2004 and 2003, the principal associated company, which is unlisted, was Navega S.A. This company is 45% owned by Millicom's joint venture in Guatemala.

d) *Management contract*

In the first quarter of 2004, Millicom finalised a management agreement and an option agreement (Note 10) with the Rafsanjan Industrial Complex ("RIC") in Iran. Pursuant to the management agreement, Millicom will provide management services for a network to be developed and owned by RIC under a build, operate and transfer agreement between RIC and the Telecommunications Company of Iran ("TCI"), an entity controlled by the Iranian Government. Under the build, operate and transfer agreement, RIC will build and operate a country-wide GSM network for 2 million prepaid customers. During the period from February 9, 2005 to February 9, 2015, RIC will pay a majority of revenues generated by the network to TCI. At the end of this period, ownership of the network will be transferred to TCI without charge. As from the date of operation, Millicom will be paid for its management services by receiving 2.2% of the gross revenues generated by the network, subject to a minimum annual payment of \$8 million per year for periods beginning from February 9, 2007.

#### 4. GOODWILL

The movements in goodwill, including negative goodwill, were as follows:

	2004	2003
	US\$ '000	US\$ '000
<b>Cost</b>		
Opening balance(ii)	71,951	35,562
Additions(i)	(3,660)	46,101
Change in consolidation method	26	–
Disposals	(107)	(9,712)
	<u>68,210</u>	<u>71,951</u>
<b>Amortization</b>		
Opening balance	(22,373)	(25,390)
Charge for the year(iii)(iv)	(8,242)	(6,695)
Disposals	107	9,712
	<u>(30,508)</u>	<u>(22,373)</u>
<b>Net book value</b>		
Closing balance	<u>37,702</u>	<u>49,578</u>
Opening balance	<u>49,578</u>	<u>10,172</u>

- (i) In 2004, the variation in "Additions" corresponds to the negative goodwill generated on the acquisition of MIC Tanzania Limited. In 2003, the addition corresponds to the goodwill generated on Telemovil El Salvador and was allocated to this cash-generating unit (Note 3a). The details of net assets acquired and goodwill are as follows:

	2004	2003
	US\$ '000	US\$ '000
Acquisition price	1,025	67,371
Less: Fair value of net assets acquired	(4,685)	(21,270)



Goodwill	(3,660)	46,101
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- (ii) Accumulated impairments at December 31, 2004 were \$nil (2003: \$585,000). These impairments were in respect of Millicom's interest in Argentina and were reversed in 2004 as part of the divestment of Millicom's operation in Argentina (Note 23).

(iii) Goodwill impairments and amortization charges are recorded in the caption "Other operating expenses" in the consolidated statements of profit and loss.

(iv) See Note 2(x)

The movements in negative goodwill included in the above figures were as follows:

	<b>2004</b>	<b>2003</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Cost</b>		
Opening balance	(11,384)	(11,384)
Additions	(3,660)	–
Closing balance	(15,044)	(11,384)
<b>Amortization</b>		
Opening balance	4,832	3,441
Income for the year	2,010	1,391
Closing balance	6,842	4,832
<b>Net book value</b>		
Closing balance	(8,202)	(6,552)
Opening balance	(6,552)	(7,943)

## 5. LICENSES

Licenses comprise the amortized cost of licenses purchased by joint ventures and subsidiaries. The movements in licenses were as follows:

	<b>2004</b>	<b>2003</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Cost</b>		
Opening balance	95,945	184,832
Additions	258,740	1,137
Impairment for the year (Note 23)(i)(ii)	–	(3,073)
Effect of change in ownership percentage	222	1,276
Disposal of subsidiaries and joint ventures	(3,281)	(95,174)
Transfers	–	6,121
Exchange rate movements	(4,025)	826
<b>Closing balance</b>	<b>347,601</b>	<b>95,945</b>
<b>Amortization</b>		
Opening balance	(65,056)	(100,361)
Charge for the year(ii)	(8,296)	(6,122)

Disposal of subsidiaries and joint ventures	3,281	43,701
Transfers	–	(1,461)
Exchange rate movements	175	(813)
	<u>          </u>	<u>          </u>
<b>Closing balance</b>	(69,896)	(65,056)
	<u>          </u>	<u>          </u>
<b>Net book value</b>		
Closing balance	277,705	30,889
	<u>          </u>	<u>          </u>
Opening balance	30,889	84,471
	<u>          </u>	<u>          </u>

- (i) Accumulated impairments at December 31, 2004 were \$6,107,000 (2003: \$8,018,000). These impairments are in respect of Millicom's interests in Peru (\$5,307,000) and Venezuela (\$800,000).

During 2004 the Group reversed \$1,911,000 of accumulated impairments as part of the divestment of its operation in Argentina (Note 23).

- (ii) Licenses impairments and amortization charges are recorded in "General and administrative expenses".

Additions are primarily due to the acquisition and/or renewal of licenses in Pakistan, Chad, Ghana and El Salvador.

In October 2004, Millicom's subsidiary in Pakistan, Paktel, signed agreements with the Pakistan Regulator (the "PTA") to operate its GSM network with immediate effect and to renew its license for 15 years from October 23, 2004. Paktel and the PTA have agreed deferred payment terms under which 50% of the license fee will be paid in installments over the first three years of the license. The second 50% of the license fee will be payable in ten yearly payments from 2008 through to 2017. Payments already made by Paktel for the GSM migration, totaling approximately \$14 million, are treated as payments towards Paktel's new license fee. The Paktel license was recorded at the present value of the total cash outflows payable until 2017 of a gross amount of \$291,000,000, resulting in a license cost of \$216,539,000. The Paktel license is amortised over 15 years. The discount rates used to compute the net present value ranged from 4.74% to 7.24%.

The license of Pakcom Limited expires in April 2005. Management received a letter from the Pakistan Telecommunication Authority ("PTA") stating that the license of Pakcom would be renewed. The terms and conditions of the license are currently being finalised. As of December 31, 2004, Millicom determined that the renewal of the license is virtually certain and therefore that the carrying amount of the network equipment held by Pakcom Limited is appropriately determined based on useful lives that carry on over the maturity of the existing license.

On November 8, 2004, Millicom was awarded a 10 year license to operate a GSM 900 wireless telephony network in the Republic of Chad. The license in Chad will be amortised over 10 years upon commencement of the operations.

On December 2, 2004, Mobitel, Millicom's subsidiary in Ghana signed a new GSM license agreement replacing the previous agreement. The new license has a term of 15 years and is renewable at expiration for a 10 year period. The payments for the license fee amount to \$22,500,000 payable over 6 years resulting in an initial license value recorded at the present value of cash outflows of \$18,537,000. The license in Ghana is amortised over 15 years. The discount rates used to compute the net present value was 10%.

On December 1, 2004, Telemovil, Millicom's subsidiary in El Salvador, extended its cellular license in El Salvador. This license which was due for renewal in 2006 will now expire in 2018. The license in El Salvador is amortised over 14 years.

The estimated aggregate amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is shown in the table below:

Estimated amortization expense	US\$ '000
For the year ending December 31, 2005	20,715
For the year ending December 31, 2006	20,572
For the year ending December 31, 2007	20,367
For the year ending December 31, 2008	19,739
For the year ending December 31, 2009	19,087

## 6. OTHER INTANGIBLE ASSETS, NET

The movements in other intangible assets were as follows:

	Software development costs	Other	Total 2004	Total 2003
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Opening balance, net	1,031	2,320	3,351	3,122
Additions	1,192	205	1,397	2,432
Disposals	–	(790)	(790)	(782)
Amortization for the year(i)	(1,145)	(127)	(1,272)	(1,369)
Effect of change in ownership percentage	–	–	–	(165)
Exchange rate movements	(53)	(72)	(125)	113
Closing balance, net	1,025	1,536	2,561	3,351

- (i) Accumulated amortization for other intangible assets as of December 31, 2004 was \$3,811,000 (2003: \$3,732,000; 2002: \$2,973,000). Amortization charges of other intangible assets are recorded in "General and administrative expenses".

## 7. PROPERTY, PLANT AND EQUIPMENT

The movements in 2004 were as follows:

	Land and Buildings	Networks	Construction in progress	Other(ii)	Total 2004
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Cost</b>					
Opening balance	23,555	800,624	36,548	104,309	965,036
Additions	3,042	34,669	185,120	14,784	237,615
Disposals	(30)	(2,403)	–	(889)	(3,322)
Transfers(i)	4,195	127,479	(141,933)	10,259	–
Impairment of assets	–	(7,237)	–	–	(7,237)
Exchange rate movements	(471)	(8,910)	90	(573)	(9,864)
Effect of change in ownership percentage	147	11,298	1,536	867	13,848
Disposal of subsidiaries and joint ventures	(60)	(3,940)	–	–	(4,000)
Closing balance	30,378	951,580	81,361	128,757	1,192,076
<b>Depreciation</b>					
Opening balance	(6,930)	(398,221)	–	(70,342)	(475,493)
Charge for the year	(1,904)	(127,968)	–	(23,312)	(153,184)
Disposals	–	1,985	–	809	2,794
Transfers(i)	–	(5,852)	–	5,852	–
Exchange rate movements	269	5,950	–	1,341	7,560
Disposal of subsidiaries and joint ventures	60	1,836	–	–	1,896

<i>Closing balance</i>	<u>(8,505)</u>	<u>(522,270)</u>	<u>–</u>	<u>(85,652)</u>	<u>(616,427)</u>
<b>Net book value</b>					
Closing balance	<u>21,873</u>	<u>429,310</u>	<u>81,361</u>	<u>43,105</u>	<u>575,649</u>
Opening balance	<u>16,625</u>	<u>402,403</u>	<u>36,548</u>	<u>33,967</u>	<u>489,543</u>
Leased assets included In the above	<u>707</u>	<u>131</u>	<u>–</u>	<u>–</u>	<u>838</u>

(i) During the year, certain items have been reclassified in the balance sheet, these are shown above as transfers.

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

The movements in 2003 were as follows:

	<b>Land and Buildings</b>	<b>Networks</b>	<b>Construction in progress</b>	<b>Other(ii)</b>	<b>Total 2003</b>
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Cost</b>					
Opening balance	19,140	725,794	24,150	105,380	874,464
Additions	1,208	31,374	62,542	8,704	103,828
Disposals	(16)	(7,296)	(2,638)	(6,904)	(16,854)
Transfers(i)	1,368	40,605	(49,915)	1,821	(6,121)
Impairment of assets	–	(2,518)	–	–	(2,518)
Exchange rate movements	1,287	15,210	1,071	2,412	19,980
Effect of change in ownership percentage	653	67,420	2,613	3,827	74,513
Disposal of subsidiaries and joint ventures	(85)	(69,965)	(1,275)	(10,931)	(82,256)
<i>Closing balance</i>	<u>23,555</u>	<u>800,624</u>	<u>36,548</u>	<u>104,309</u>	<u>965,036</u>
<b>Depreciation</b>					
Opening balance	(4,903)	(344,910)	–	(63,921)	(413,734)
Charge for the year	(1,733)	(93,554)	–	(19,096)	(114,383)
Disposals	10	7,296	–	4,764	12,070
Transfers(i)	–	–	–	1,461	1,461
Exchange rate movements	(308)	(7,989)	–	(1,370)	(9,667)
Disposal of subsidiaries and joint ventures	4	40,936	–	7,820	48,760
<i>Closing balance</i>	<u>(6,930)</u>	<u>(398,221)</u>	<u>–</u>	<u>(70,342)</u>	<u>(475,493)</u>
<b>Net book value</b>					
Closing balance	<u>16,625</u>	<u>402,403</u>	<u>36,548</u>	<u>33,967</u>	<u>489,543</u>
Opening balance	14,237	380,884	24,150	41,459	460,730
Leased assets included In the above	<u>–</u>	<u>919</u>	<u>–</u>	<u>–</u>	<u>919</u>

(i) During the year, certain items have been reclassified in the balance sheet, these are shown above as transfers.

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

The amount of pledged assets is described in Note 18–Borrowings

## 8. INVESTMENT IN TELE2 AB SHARES

As of December 31, 2004 and 2003, Millicom had the following investments in Tele2 AB ("Tele2") shares:

<u>2004</u>	<u>2003</u>
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	US\$ '000	US\$ '000
Non-current available-for-sale securities	351,882	479,040
	<u>351,882</u>	<u>479,040</u>
	<u>351,882</u>	<u>479,040</u>

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Transactions in Tele2 shares have been summarized in the table below:

	Number of Shares held		Ownership %	Revaluation reserve US\$ '000	Gain / (loss) US\$ '000	Total US\$ '000
	Tele2 series A shares	Tele2 series B shares				
Balance as of January 1, 2002	5,384,316	13,371,337	12.73%	(61,325)	–	659,440
Sale of shares	–	(8,743,110)	(5.94)%	–	(168,818)	(336,056)
Exchange of A shares for B shares	(5,384,316)	5,384,316	–	–	–	–
Change in fair value	–	–	–	–	(57,813)	(57,813)
Prolonged decline in value transferred to profit and loss	–	–	–	61,325	(61,325)	–
Balance as of December 31, 2002	–	10,012,543	6.79%	–	–	265,571
Sale of shares	–	(1,044,129)	(0.71)%	–	–	(33,291)
Change in fair value	–	–	–	–	246,760	246,760
Balance as of December 31, 2003	–	8,968,414	6.08%	–	–	479,040
Change in fair value	–	–	–	–	(127,158)	(127,158)
Balance as of December 31, 2004	–	8,968,414	6.08%	–	–	351,882

Tele2 is a leading and profitable alternative pan-European telecom operator providing fixed and mobile telephony, internet services, data network, cable TV and content services to 28 million customers in 24 countries. Tele2 is listed on Stockholmsbörsen and the NASDAQ National Market.

In 2001, the Group classified its investment in Tele2 as non-current as it considered it to be a strategic investment. However, the Group sold certain of these shares during the course of 2002 in order to meet liquidity needs and therefore re-classified the portion of its holding that was not pledged against financing (Note 18) as a current asset in the consolidated balance sheet as of December 31, 2002. Following the issuance of the 5% Mandatory Exchangeable Notes due 2006 (Note 18), Millicom reclassified its investment in Tele2 from current to non-current assets.

The Tele2 shares underlying the 5% Mandatory Exchangeable Notes have been lent by Millicom Telecommunications S.A. to Deutsche Bank AG London pursuant to a securities lending arrangement. Deutsche Bank AG London may sell or on-lend such Tele2 shares under the securities lending agreement. Deutsche Bank AG London is contractually required to deliver to Millicom Telecommunications S.A. such Tele2 shares upon requisite notice to Deutsche Bank AG London by Millicom Telecommunications S.A., if (1) Millicom Telecommunications S.A. requires such Tele2 shares to satisfy its obligations from time to time to deliver Tele2 shares upon exchange of the 5% Mandatory Exchangeable Notes by the noteholders or (2) specified bankruptcy-related events with respect to Deutsche Bank AG London or defaults in the performance by Deutsche Bank AG London of its obligations under the securities lending agreement have occurred. Millicom Telecommunications S.A. is obligated to deliver Tele2 shares upon exchange of the 5% Mandatory Exchangeable Notes even in the event of a failure of Deutsche Bank AG London to redeliver to Millicom Telecommunications S.A. the Tele2 shares. Millicom Telecommunications S.A.'s obligation in respect of the delivery of those shares has not been guaranteed by the Group. Millicom has pledged 8,968,400 Tele2 shares (2003: 8,968,400) for a fair value of \$351,882,000 (2003: \$479,040,000) in order to settle the exchange of the 5% Mandatory Exchangeable Notes in Tele2 shares.

In 2004, Tele2 distributed a dividend of approximately \$0.40 (SEK 3) per share which was directly paid to the holders of the 5% Mandatory Exchangeable Notes.



## 9. INVESTMENT IN OTHER SECURITIES

As of December 31, 2004 and 2003, Millicom had the following investments in other securities:

	2004 US\$ '000	2003 US\$ '000
<b>Non-current</b>		
<i>Available-for-sale</i>		
Other investments(ii)	3,011	3,120
<i>Held-to-maturity</i>		
U.S. Treasury strips(i)	7,529	22,277
	<u>10,540</u>	<u>25,397</u>
<b>Current</b>		
<i>Held-to-maturity</i>		
U.S. Treasury strips(i)	15,327	15,291
	<u>15,327</u>	<u>15,291</u>

(i) U.S. Treasury strips

On August 7, 2003, \$45,294,000 of the net proceeds of the 5% Mandatory Exchangeable Notes was used to purchase U.S. Treasury strips, with a nominal amount of \$46,470,000 to provide for payment of the interest under the 5% Mandatory Exchangeable Notes.

As of December 31, 2004, the outstanding U.S. Treasury strips, which have effective interest rates ranging from 1.6% to 2.1%, have the following maturity dates:

	US\$ '000
<b>Non-current</b>	
May 15, 2006	7,529
<b>Current</b>	
November 15, 2005	7,626
May 15, 2005	7,701
	<u>15,327</u>
<b>Total</b>	<u>22,856</u>

(ii) Other investments in available-for-sale securities

Other investments in available-for-sale securities mainly represent investments in Great Universal and Modern Holdings. In June 1999, Great Universal effected a reorganization where it spun off its subsidiaries into two separate businesses being Great Universal Inc. and Modern Holdings. Great Universal LLC holds 100% of common shares in Great Universal Inc. and 52.7% of common shares in Modern Holdings. Millicom also has a direct ownership of 11.6% of the share capital of Modern Holdings. These investments are recorded as non-current available-for-sale securities. As of December 31, 2004 and 2003 the shares of Modern Holdings were not quoted on a public market.

In 2002, following a restructuring of Modern Holdings and an independent valuation, Millicom recognized an impairment loss of \$7,050,000 on its investment in Modern Holdings. The carrying value of this investment is \$2,950,000 as of December 31, 2004 (2003: \$2,950,000). In 2004, management determined that no change in fair value should be recorded. During the course of 2002, Millicom recorded a full impairment loss of \$5,027,000 on its investment in Great Universal due to uncertainty concerning its recoverability.

As indicated in Note 30, under IFRS, Millicom does not consolidate its investment in Great Universal and Modern Holdings since the restrictions on their ability to distribute dividends is considered a severe long-term restriction that significantly impairs their ability to transfer funds to Millicom. Further, due to the existence of warrants, enabling the warrant holders to obtain control over Great Universal and Modern Holdings, Millicom considers that it does not control these companies. The warrants will expire six months after the date a registration statement of Great Universal is declared effective by the U.S. Securities and Exchange Commission.

In addition, the Group holds other available-for-sale securities for a total fair value of \$61,000 as of December 31, 2004 (2003: \$170,000).

## **10. DERIVATIVES ARISING FROM BUSINESS COMBINATIONS**

Millicom or its partners have agreements to purchase or sell interests in certain operations according to fixed conditions. These agreements qualify as derivatives under the prescribed accounting treatment in IAS 39. Details of the agreements are described as follows:

*Colombia*—The holders of the Celcaribe Ordinary Share Trust Certificates ("Certificates") had an option to put their certificates to the Company at an exercise price providing the holders with an internal rate of return of 15%. These put rights were cancelled in December 2002 when Millicom entered into a conditional agreement to sell its interest in Celcaribe S.A., whereby holders of the Certificates were required, under the provision of a "drag-along" clause, to sell their Certificates to the buyer on the same terms and conditions as Millicom. Accordingly, the fair value of the option was reduced to \$nil as at December 31, 2002. The disposal of Celcaribe S.A. was declared effective on February 13, 2003. The change in fair value of the option during the period starting January 1, 2002 to the date of the conditional sale agreement for an amount of \$6,684,000 was recorded in the statement of profit and loss under the caption "Fair value result on financial instruments".

*Express Telecommunications Co. Inc.*—As part of the sale agreement for Express Telecommunications Co. Inc. ("Extelcom"), Millicom's operation in the Philippines, signed in December 2002, Millicom was granted, for the price of \$1, the option to purchase 47.9% of the issued share capital of Extelcom at various prices up to ten years after issuance. The exercise price is \$1,000,000 if exercised within 12 months of the sale agreement increasing by an additional \$1,000,000 for each year afterwards. If exercised between five and ten years after the option is issued, the purchase price is \$8,000,000. Due to the history of losses incurred by the operation and based on the financial statements of Extelcom as of December 31, 2004, management considers that the option has nil value (2003: nil). The option is not exercisable in part. As of December 31, 2004, the option has not been exercised.

*Vietnam*—In July 2002, the option granted per the shareholders' agreement to CIV's minority shareholder, which gave right to purchase an additional 10% equity interest in CIV, was exercised at a price of \$24,000. As a result the Company reversed the liability of \$23,125,000 (see Note 23), resulting from the measurement at fair value of the option until the date of exercise, by crediting the caption "Gain (loss) from sale of subsidiaries and joint ventures, net" in the consolidated statements of profit and loss. The change in fair value to the date of exercise was \$1,174,000 in 2002 and was recorded as a "Fair value result on financial instruments" in the consolidated statements of profit and loss,

*Ghana*—In June 2002, Millicom issued a call option to a former shareholder. The option allows the holder to reacquire the 30% equity stake which he sold to Millicom in 2002. The option is exercisable from June 2005 to June 2007 at an exercise price of \$190,000. As of December 31, 2004, the fair value of the option is \$993,000 (2003: \$nil) and is recorded under the caption "Other current liabilities".

*Iran*–Millicom has an option to acquire an equity ownership of the company that will operate the network in Iran from Rafsanjan Industrial Complex at book value. The company that will operate the network has not yet been formed. Between February 9, 2004 and February 9, 2007 Millicom can acquire up to 47% of the equity. Between February 9, 2007 and February 9, 2009, the maximum percentage of equity ownership that Millicom can acquire will be 30% in addition to any shares acquired before that date, provided that the total percentage acquired never exceeds 47%. From February 9, 2007 until February 9, 2009, Millicom will have the right to sell to RIC an amount of shares not to exceed 17% of the company that will operate the network at the average exercise price paid by Millicom to acquire shares through the exercise of call options. As of December 31, 2004, the fair value of the option is \$1,097,000 and is recorded under the caption "Other current assets". (See also Note 3d).

## 11. PLEDGED DEPOSITS

Pledged deposits represent interest bearing collateral for certain debts of Group companies (Note 18).

The effective interest rate on pledged deposits as at December 31, 2004, was 1.98% (2003: 1.75%).

## 12. INVENTORIES

The Group carries the following inventories, measured at lower of cost and net realizable value:

	<b>2004</b>	<b>2003</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Trading inventories	14,754	8,754
Non-trading inventories	1,550	2,187
<b>Total inventories</b>	<b>16,304</b>	<b>10,941</b>

### 13. TRADE RECEIVABLES, NET

The movements in trade receivables were as follows:

	2004	2003
	US\$ '000	US\$ '000
<b>Trade receivables, gross</b>		
Opening balance	149,949	140,785
Additions, net	34,039	2,804
Write-offs	(13,523)	(3,328)
Effect of change in ownership percentage/disposals	4,844	(18,051)
Change in consolidation method	3,284	23,963
Exchange rate movement	63	3,776
	<u>178,656</u>	<u>149,949</u>
<i>Closing balance</i>		
<b>Provision for doubtful receivables</b>		
Opening balance	(36,199)	(27,564)
Impairment charge	(13,207)	(8,090)
Write-offs	13,523	3,328
Effect of change in ownership percentage/disposals	(630)	4,639
Change in consolidation method	(393)	(7,996)
Exchange rate movement	222	(516)
	<u>(36,684)</u>	<u>(36,199)</u>
<i>Closing balance</i>		
<b>Trade receivables, net</b>		
Closing balance	<u>141,972</u>	<u>113,750</u>
Opening balance	<u>113,750</u>	<u>113,221</u>

Included in the net trade receivables balance above is \$74,303,000 (2003: \$83,870,000) related to amounts due from national telecommunication companies in respect of interconnection.

These amounts are expected to be recovered within one year.

### 14. OTHER CURRENT ASSETS

Other current assets are comprised as follows:

	2004	2003
	US\$ '000	US\$ '000
Taxes paid in advance	12,479	6,416
Receivable from VMS, net(i)	32,156	16,940
Advances paid to suppliers	4,330	12,061
Iran option (see Note 10)	1,097	–
Other	<u>12,315</u>	<u>14,166</u>

- (i) This reflects the net receivable under the revenue sharing agreement in Vietnam (Note 3 a (ii)).



## 15. TIME DEPOSITS

Time deposits as of December 31, 2004 of \$610,000 (2003: \$32,880,000) represent cash deposits with banks, remunerated at market interest rates. They have original maturity periods of between three to twelve months.

As of December 31, 2004, the effective interest rate on short-term bank deposits was approximately 1.1% (2003: 3.4%).

## 16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	<u>2004</u>	<u>2003</u>
	US\$ '000	US\$ '000
Cash and cash equivalents in US dollars	354,237	86,871
Cash and cash equivalents in other currencies	59,144	61,958
	<u>          </u>	<u>          </u>
Total cash and cash equivalents	413,381	148,829
	<u>          </u>	<u>          </u>

## 17. SHAREHOLDERS' EQUITY

On February 16, 2004 an extraordinary general meeting of shareholders approved a stock split of the issued shares of the Company, by which each share with a par value of \$6 was split into four new ordinary shares with a par value of \$1.50 each. The stock split became effective on February 20, 2004. All figures in this note have been updated to reflect the stock split for all years presented.

### *a) Share capital and premium*

The authorized share capital of the Company totals 133,333,200 registered shares. At December 31, 2004, the total subscribed and fully paid-in share capital and premium amounts to \$513,782,000 (2003: \$239,876,000) consisting of 99,219,079 (2003: 66,319,940) registered common shares at a par value of \$1.50 (2003: \$1.50) each.

In 2003, the Company issued convertible notes (see c) 2% PIK Notes below) which were convertible into 23,639,108 common shares. In 2003, the Company issued 349,760 common shares to holders of 2% PIK Notes who converted their 2% PIK Notes. From January 1, 2004 to April 26, 2004, holders of 2% PIK Notes converted an aggregate amount of \$62,431,000 of 2% PIK Notes into 23,230,099 common shares of the Company.

In 2004, the Company issued 669,040 shares following the exercise of stock options by employees and directors of Millicom.

In the fourth quarter of 2004, the Company raised \$209,160,000 in equity through the offering of 9 million shares (the "Share Offering") in the form of Ordinary Shares or Swedish Depository Receipts (SDRs). The shares were issued at a price of \$23.24. The net proceeds from the Share Offering were \$203,620,000.

### *b) Treasury stock*

As a result of the Merger, 28,862,794 shares of Millicom's common shares, previously held by Millicom Inc., were held by subsidiaries of MIC-USA, and accounted for as treasury stock for consolidated reporting purposes. In February 2003, an Extraordinary General Meeting of Millicom passed a resolution approving the reduction of \$43,294,192 of the share capital of the Company by means of the cancellation of the 28,862,794 shares with a par value of \$1.50 each.

In 2004, nil (2003: nil; 2002: 515,133) own shares were acquired by the Company and accounted for as treasury stock.

In 2003, Millicom granted 177,428 shares from its holding of treasury stock to Kinnevik International AB as final payment on the partial acquisition of MACH in 1995 (Note 30).

As of December 31, 2004, the total number of treasury shares held was 654,852 (2003: 654,852) shares.

*c) 2% PIK Notes—equity component*

As of December 31, 2004, none of the 2% PIK Notes were outstanding.

In May 2003, Millicom announced the closure of the exchange offer for its 13.5% Senior Subordinated Notes. As a result of the exchange, Millicom issued \$63,531,000 of Millicom's 2% Senior Convertible PIK (payment-in-kind) Notes due 2006 ("2% PIK Notes") (Note 18). Millicom's 2% PIK Notes were convertible at any time at the holder's option into Millicom common stock at a conversion price of \$2.69 per share (price after stock split). Millicom has apportioned part of the value of these notes to equity and part to debt (Note 18).

The outstanding notes which had not been converted were redeemed on April 26, 2004 for an amount of \$160,000. The value allocated to equity as at December 31, 2003, was \$16,006,000.

*d) Legal and consolidation reserves*

On an annual basis, if the Company reports a net profit for the year, 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. A consolidation reserve is required for consolidated profits that are not available for distribution.

At the annual general meeting of shareholders held on May 25, 2004, the shareholders decided to allocate an amount of \$9,321,000 to the legal reserve from the profit of the Company for the year ended December 31, 2003.

See Note 18 for other restrictions relating to dividend payments.

*e) Options outstanding*

The following table summarizes information about stock options outstanding at December 31, 2004, which have been issued to Directors, management, officers and employees of the Group. Shares issued when stock options are exercised benefit from the same rights as common shares. The Company has elected to not record the expense associated with the issuance of stock options as permitted under IFRS until December 31, 2004 (see also Note 2 x). The market price of the Company's shares as at December 31, 2003 and December 31, 2004 was respectively \$17.5 and \$22.73.

Options Outstanding			Options Exercisable	
Range of Exercise Prices \$	Number outstanding at Dec. 31, 2004	Weighted Average Exercise Price \$	Number exercisable at Dec. 31, 2004	Weighted Average Exercise Price \$
3.32 - 3.75	1,461,498	3.44	370,613	3.49
9.0	627,544	9.00	627,544	9.00
16.78 - 20.34	651,048	18.73	651,048	18.73
25.047 - 29.745	633,993	25.79	99,996	29.75
31.875 - 35.906	753,464	33.21	702,307	33.31
3.32 - 35.906	4,127,547	15.56	2,451,508	18.56



The following table summarizes the terms of options outstanding as of December 31, 2004:

Date issued	Number of options	Exercise price \$	Terms of option
May 1994, May 1995, May 1996, May 1997, January 1998, May 1998, August 1999, May 2000, December 2001, December 2002, May 2003 and May 2004	2,643,151	3.32 - 35.906	Exercisable over a three-year period in equal installments. Options have an indefinite life.
December 2001, December 2002, May 2003 and May 2004	1,252,932	3.32 - 25.047	Exercisable over a three-year period in equal installments. Options expire after six years from date of grant.
August 1999, May 2000, and June 2000,	231,464	20.34 - 31.88	Exercisable over a five-year period ( <sup>1</sup> / <sub>3</sub> vested after three years, <sup>2</sup> / <sub>3</sub> vested after four years, 100% vested after five years). Options expire after six years from date of grant.

A summary of the Company's stock options as of December 31, 2004, 2003 and 2002, and changes during the years then ended is as follows:

	2004		2003		2002	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at beginning of year	4,520,808	13.26	4,221,004	18.63	5,127,143	22.80
Granted <sup>(1)</sup>	540,015	25.05	1,320,500	3.32	800,000	3.75
Exercised	(669,040)	4.29	—	—	—	—
Forfeited	(264,236)	23.68	(1,020,696)	22.64	(1,706,139)	24.18
Outstanding at end of year	4,127,547	15.56	4,520,808	13.26	4,221,004	18.63
Exercisable at end of year	2,451,508	18.56	1,880,852	23.61	1,956,204	25.40

(1) In 2004, options were granted at an exercise price equal to the market price at date of grant plus a mark-up of 10%. In 2003 and 2002, options were granted at an exercise price equal to the market price at date of grant.

Other options in subsidiary companies, outstanding at December 31, 2004, have been issued to officers and employees of the Group as follows:

*Millicom International BV*—An option plan was established on December 15, 2000 for the President and Chief Executive Officer of the Company and certain employees and officers to purchase a total of 1% and 0.7% respectively of the share capital of Millicom International BV, an indirect wholly-owned subsidiary of the Company, holding investments in operating entities of the Group. The strike price of these options is calculated as the corresponding share of Millicom's historic total investment in Millicom International BV. These options are exercisable in tranches until December 31, 2005 and were all issued in 2000. During 2002 the right to exercise options over 0.7% of the share capital granted to certain employees was cancelled. As of December 31, 2004, none of the remaining options were exercised.

## 18. BORROWINGS

Borrowings comprise:

(i) *Borrowings due after more than one year:*

	2004 US\$ '000	2003 US\$ '000
Corporate debt at amortized cost		
10% Senior Notes(d)	536,629	536,036
2% PIK Notes—debt component(e)	—	50,923
5% Mandatory Exchangeable Notes(f)	365,006	327,635
	<u>901,635</u>	<u>914,594</u>
Other debt and financing:		
Equipment financing facilities	6,370	8,484
Bank financing facilities	152,893	173,553
	<u>159,263</u>	<u>182,037</u>
Total long-term other debt and financing	159,263	182,037
Less: portion payable within one year	(34,996)	(55,887)
	<u>124,267</u>	<u>126,150</u>
Total other debt and financing due after more than one year	124,267	126,150

(ii) *Borrowings due within one year:*

	2004 US\$ '000	2003 US\$ '000
Other debt and financing:		
Equipment financing facilities	—	3,848
Bank financing facilities	53,515	72,929
	<u>53,515</u>	<u>76,777</u>
Total short term other debt and financing	53,515	76,777
Portion of long-term debt payable within one year	34,996	55,887
	<u>88,511</u>	<u>132,664</u>
Total other debt and financing due within one year	88,511	132,664

### a) *Company borrowings*

Borrowings mainly comprise notes, including corporate debt, term loans and revolving credit facilities in various countries and are mainly denominated in U.S. dollars. Average interest on these facilities is approximately 7.6% (2003: 7.3%, 2002: 12.5%). Average interest on short-term borrowings is approximately 8.2% (2003: 6.8%, 2002: 10.2%). Also included in "Other debt and financing" is \$1,051,000 (2003: \$160,000) in respect of finance leases (Note 29).

As of December 31, 2004, Millicom's share of the carrying amount of total pledged assets held by operating entities securing Group debt and financing was \$267,391,000 (2003: \$180,227,000) including pledged deposits for \$10,529,000 (2003: \$1,488,000).

The carrying amount of pledged assets held by non-operating entities at December 31, 2004 securing Group debt and financing was \$399,013,000 (2003: \$546,650,000) represented by Tele2 shares, pledged deposits and pledged US Treasury strips. Millicom pledged 8,968,400 Tele2 AB series B shares (2003: 8,968,400) for a fair value of \$351,882,000 (2003: \$479,040,000) in order to settle the exchange of the 5% Mandatory Exchangeable Notes in Tele2 AB shares. Furthermore, the U.S. treasury strips amounting to 22,856,000 (2003: 37,568,000) which are recorded under the caption "Investment in other securities" non-current and current as well as \$7,745,000 (2003: 7,745,000), which are recorded

under the caption "Pledged deposits" resulting from the proceeds of a U.S. treasury strip which expired on November 2004 are pledged in order to settle the payment of the interest on the 5% Mandatory Exchangeable Notes. The total amount of pledged deposits held by non-operating entities totaled \$24,275,000 (2003: \$30,042,000). \$13,243,000 of these pledged deposits covered outstanding standby letters of credit issued by a bank in order to secure debt and financing granted to the operations and \$3,000,000 represented cash deposited as security for a loan granted to an operating entity by Bank Invik (see Note 30).

As of December 31, 2004 the guarantees issued by the Company to cover debt and financing in the operations amounted to \$43,084,000 (2003: \$74,087,000).

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 Group is \$514,027,000 (2003: \$644,651,000).

The total interest charged for the year is \$108,534,000 (2003: \$135,172,000, 2002: \$185,959,000).

In the normal course of business, Millicom Group Companies have issued guarantees to secure the obligations of some operations under bank and suppliers' financing agreements. The tables below describe the outstanding amount under the guarantees and the remaining terms of the guarantees. Amounts identified as outstanding exposure of bank guarantees are recorded in the Consolidated balance sheet under the caption "Other debt and financing". Amounts identified as outstanding exposure of suppliers' guarantees are recorded in the Consolidated balance sheet under the caption "Trade payable".

**As of December 31, 2004:**

Terms	Bank and other financing guarantees(1)		Suppliers' guarantees(2)		Total	
	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure
0 - 1 year	–	2,000,000	2,701,743	2,701,743	2,701,743	4,701,743
1 - 3 years	23,247,755	23,247,755	9,289,734	9,289,734	32,537,489	32,537,489
3 - 5 years	3,752,660	3,752,660	–	–	3,752,660	3,752,660
More than 5 years	4,091,888	10,000,000	–	–	4,091,888	10,000,000
<b>Total</b>	<b>31,092,303</b>	<b>39,000,415</b>	<b>11,991,477</b>	<b>11,991,477</b>	<b>43,083,880</b>	<b>50,991,892</b>

**As of December 31, 2003:**

Terms	Bank and other financing guarantees(1)		Suppliers' guarantees(2)		Total	
	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure	Outstanding exposure	Maximum exposure
0 - 1 year	1,470,000	16,168,630	2,935,338	3,728,553	4,405,338	19,987,183
1 - 3 years	15,878,268	15,878,268	17,989,648	17,989,648	33,867,916	33,867,916
3 - 5 years	17,381,000	17,381,000	1,010,000	1,010,000	18,391,000	18,391,000
More than 5 years	89,681,000	109,902,587	–	–	89,681,000	109,902,587
<b>Total</b>	<b>124,410,268</b>	<b>159,330,485</b>	<b>21,934,986</b>	<b>22,728,201</b>	<b>146,345,254</b>	<b>182,148,686</b>

- (1) The guarantee can cover the outstanding amounts of the underlying loans in the case of non payment from Millicom Group company guarantor

- (2) The guarantee can cover the outstanding amounts of the underlying supplier financing in the case of non payment from Millicom Group company guarantor



*b) Debt restructuring*

In 2003, Millicom implemented a restructuring plan to reduce its indebtedness and debt service obligations. As of December 31, 2002, Millicom had total consolidated indebtedness of \$1.23 billion, which required a substantial amount of cash from operations to service. Millicom had also divested selected assets (MIC Systems (including MACH), certain Tele2 AB shares, its operation in the Philippines, its operation in Colombia and Liberty Broadband Limited).

In May 2003, \$776 million or 85%, of the outstanding amount of Millicom's Senior Subordinated 13.5% Notes due 2006 (the "Old Notes") had been tendered in Millicom's private exchange offer. Holders of the tendered Old Notes also consented to certain amendments to the indenture covering the Old Notes.

Upon closure of the exchange offer referred to above, Millicom issued \$562 million of Millicom's 11% Senior Notes due 2006 (the "11% Senior Notes") and \$64 million of Millicom's 2% Senior Convertible PIK (payment-in-kind) Notes due 2006 ("2% PIK Notes") in exchange for the \$776 million of Old Notes tendered. In addition, Millicom also paid to holders of the Old Notes, who consented to the amendments of the Old Notes' indenture, \$50 per \$1,000 of Old Notes so consented (excluding affiliates of Millicom), or approximately \$38 million in aggregate. Millicom's 2% PIK Notes were convertible at any time at the holder's option into Millicom common stock at a conversion price of \$2.69 per share (price after stock split). The total aggregate amount of 2% PIK Notes was converted or redeemed in 2004. The debt exchange resulted in a gain of \$96,748,000. This gain is recorded under the caption "Other financial income".

On August 7, 2003, Millicom's subsidiary, Millicom Telecommunications S.A., issued for an aggregate value of SEK 2,555,994,000 (the equivalent of approximately \$310 million) mandatory exchangeable notes, which are mandatorily exchangeable into shares of Tele2 AB (the "5% Mandatory Exchangeable Notes").

On August 15, 2003 and September 30, 2003, Millicom repurchased in private transactions \$57 million and redeemed \$110 million, respectively, in aggregate principal amount of the 11% Senior Notes. In August 2003, Millicom also repaid the outstanding amount of the Toronto Dominion facility of \$64 million Millicom had entered into 2001.

On November 7, 2003, Millicom commenced a cash tender offer and consent solicitation relating to all of the \$395 million outstanding principal amount of the 11% Senior Notes, which expired on December 8, 2003.

On November 24, 2003, Millicom issued \$550 million principal amount of 10% Senior Notes due 2013 (the "10% Senior Notes") and issued a notice of redemption in respect of the total remaining outstanding amount of Old Notes. Millicom used approximately \$273 million of the proceeds of the offering of the 10% Senior Notes to acquire the outstanding amount of 11% Senior Notes tendered on or prior to December 8, 2003. Millicom issued a notice of redemption with respect to the total remaining outstanding amount of 11% Senior Notes on December 5, 2003, with a redemption date of December 10, 2003. Millicom used \$143.8 million of the proceeds from the 10% Senior Notes to redeem in full the remaining outstanding amount of 11% Senior Notes. Finally, Millicom redeemed the Old Notes in their entirety on December 29, 2003.

*c) Senior Subordinated 13.5% Notes*

On June 4, 1996, the Company raised \$483,433,000 (after deducting discount and estimated expenses) through a private offering of Senior Subordinated 13.5% Notes due 2006 (the "Old Notes"). The Old Notes were issued at 52.075% of their principal amount of \$962,000,000 and the purchase discount on the Old Notes accretes from issuance at an effective interest rate of 14.4%. Cash interest

began to accrue on the Old Notes on June 1, 2001 at a rate of 13.5% per annum, payable semi-annually in arrears on June 1 and December 1, until maturity on June 1, 2006.

During 2002, the Company re-purchased Old Notes for a value of \$44,000,000 at market prices at the time, realizing a gain of \$28,676,000 recorded in the consolidated statement of profit and loss under the heading "Other financial income".

The Old Notes have been exchanged or repaid in 2003 (see b above).

*d) 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, beginning on June 1, 2004. The effective interest rate is 10.4%.

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 or affiliates, and as a result are structurally subordinated in right of payment to all indebtedness of such subsidiaries and affiliates.

Due to the fact that the registration statement of the 10% Senior Notes was not declared effective, a special interest charge was added to the interest rate of 10% of 0.25% from May 23, 2004 to August 20, 2004, of 0.5% from August 21, 2004 to November 18, 2004, of 0.75% from November 19, 2004 to February 16, 2005 and of 1% from February 17, 2005 until March 2, 2005 the date the registration statement was declared effective..

Other than out of the proceeds of certain public equity offerings prior to December 1, 2006, or for certain tax reasons, Millicom may not redeem the 10% Senior Notes prior to December 1, 2008. On or after December 1, 2008, Millicom may redeem all or a portion of the 10% Senior Notes at prices ranging from 105% to 100%.

If Millicom experiences a Change of Control Triggering Event, defined as a rating decline and 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.

The indenture contains certain covenants that, among other things, limit Millicom's ability to incur additional indebtedness, make certain payments, including dividends or other distributions, with respect to Millicom's share capital and the share capital of Millicom's subsidiaries, make certain investments, prepay subordinated debt, create certain liens, engage in certain transactions with affiliates, engage in certain asset sales, consolidate, merge or transfer all or substantially all Millicom's assets and enter into other lines of business. Certain of these covenants will no longer apply if the 10% Senior Notes are rated above a certain level by the rating agencies or if Millicom meets certain financial criteria after three years following their issuance date.

As of December 31, 2004, the carrying amount of the 10% Senior Notes is \$536,629,000.

*e) 2% PIK Notes—debt component*

As of December 31, 2004 none of the 2% PIK Notes are outstanding.

In 2003, Millicom issued convertible notes which were convertible into 23,639,108 Millicom's common shares. In 2003, Millicom issued 349,760 common shares to holders of 2% PIK Notes who converted their 2% PIK Notes. During the first half of 2004, holders of 2% PIK Notes converted an aggregate amount of \$62,431,000 of 2% PIK Notes into 23,230,099 common shares of Millicom. The remaining \$160,000 2% PIK Notes were redeemed on April 26, 2004.



The 2% PIK Notes initially matured on June 1, 2006. The 2% PIK Notes had interest at a rate of 2%, payable at the option of Millicom, in either additional 2% PIK Notes or in cash, semi-annually in arrears on June 1 and December 1. The difference between the initial carrying amount of the debt component of the 2% PIK Notes and its nominal amount accreted at an effective interest rate of 11%.

The 2% PIK Notes were convertible at any time, at the option of the holder, into Millicom common stock at a conversion price of \$2.69 (price after stock split) per share of common stock. At the maturity of the 2% PIK Notes, Millicom could, at its option, pay all or a portion of the then outstanding principal amount in cash or in shares of its common stock. Millicom could redeem the 2% PIK Notes at any time, in whole or in part, prior to June 1, 2004, at a price equal to 102.25% of their principal amount, and thereafter at a price equal to their principal amount. The 2% PIK Notes were senior unsecured obligations and ranked senior in right of payment to all Millicom's subordinated indebtedness. The 2% PIK Notes were unconditionally and irrevocably guaranteed by Millicom International Operations B.V.

*f) 5% Mandatory Exchangeable Notes*

On August 7, 2003, Millicom Telecommunications S.A., Millicom's wholly-owned subsidiary, issued for an aggregate value of SEK 2,555,994,000 (approximately \$310 million) Mandatory Exchangeable Notes (the "5% Mandatory Exchangeable Notes"), which are exchangeable into Tele2 AB series B ("Tele2") shares. The 5% Mandatory Exchangeable Notes may be exchanged either voluntarily at the option of the noteholders or mandatorily by Millicom Telecommunications S.A. as described below. The 5% Mandatory Exchangeable Notes will be exchangeable for an aggregate of up to 8,968,400 Tele2 AB series B shares (Note 8) which Millicom holds through Millicom Telecommunications S.A. The number of Tele2 shares that Millicom Telecommunications S.A. is obligated to deliver is based on a formula that takes into account the market price of the Tele2 shares prior to any exchange. Under the formula, Millicom Telecommunications S.A. could retain up to 30% of the increase in value of the Tele2 shares over the designated reference price of SEK 285 per share. As a result, on August 7, 2006 or earlier if all of the 5% Mandatory Exchangeable Notes have been redeemed and exchanged prior to that date, Millicom Telecommunications S.A. could own up to approximately 23% of the 8,968,400 Tele2 AB series B shares underlying the 5% Mandatory Exchangeable Notes.

The 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the noteholders at any time during the period commencing on September 17, 2003 and ending on the 25th trading day prior to August 7, 2006, which is expected to be July 11, 2006. In addition, the 5% Mandatory Exchangeable Notes may be exchanged voluntarily at the option of the holder in the event of certain changes in tax laws and in the event of a takeover offer in respect of Tele2 AB. Dividends, if any, paid by Tele2 AB would be attributed to the 5% Mandatory Exchangeable Notes holders.

Unless otherwise previously redeemed and exchanged or purchased and cancelled, each 5% Mandatory Exchangeable Note will be mandatorily exchanged by Millicom Telecommunications S.A. on August 7, 2006.

The 5% Mandatory Exchangeable Notes bear interest on the U.S. dollar equivalent amount of each note at a rate of 5% per annum payable semi-annually on February 7 and August 7 of each year. The effective interest rate is 8.45%. As of December 31, 2004, the carrying amount of the 5% Mandatory Exchangeable Notes net of unamortized financing fees was \$365,006,000. In 2004, an exchange loss of \$27,550,000 (2003: \$41,820,000) was recognized on the 5% Mandatory Exchangeable Notes.

In 2003, as part of the financing, Millicom purchased U.S. treasury strips with a nominal value of \$46,470,000 which will be used to settle the interest payments (Note 9).

The 5% Mandatory Exchangeable Notes are secured by 8,968,400 Tele2 shares. Millicom Telecommunications S.A.'s obligations in respect of the interest payments of the 5% Mandatory Exchangeable Notes are secured by U.S. Treasury strips and are guaranteed by Millicom. Whilst there are Notes or interest outstanding Millicom Telecommunications S.A. will not pledge, transfer, lend or sell any of the secured Tele2 shares or U.S. Treasury strips.

The 5% Mandatory Exchangeable Notes include an embedded derivative, which is valued separately. The embedded derivative, which reflects Millicom's limited right to participate in the increase in value of the Tele2 shares, is recorded at fair value, taking into account time and volatility factors. As of December 31, 2004, the fair value of the embedded derivative was an asset of \$45,255,000 (2003: a liability of \$103,457,000), with the change in fair value for the year 2004 of \$148,712,000 (for the period from August 7, 2003 to December 31, 2003 a loss of \$84,578,000) recorded under the caption "Fair value result on financial instruments".

*g) Other debt and financing*

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

	2004	2003
	US\$ '000	US\$ '000
Bolivia(i)	26,722	35,487
El Salvador(ii)	40,000	75,714
Guatemala(iii)	22,694	21,945
Pakistan(iv,v)	31,000	45,745
Paraguay	17,693	9,963
Senegal	18,236	17,585
Sri Lanka(vi)	8,626	16,548
Tanzania(vii)	19,097	7,819
Vietnam	8,663	12,468
Other	19,982	15,180
<b>Total</b>	<b>212,713</b>	<b>258,454</b>
Corporate	65	360
<b>Total other debt and financing</b>	<b>212,778</b>	<b>258,814</b>
Of which:		
due after more than 1 year	124,267	126,150
due within 1 year	88,511	132,664
	<b>212,778</b>	<b>258,814</b>

Significant individual financing facilities are described below:

*i) Bolivia*

In June 2001, Telefonica Celular de Bolivia SA ("Telecel Bolivia") signed an agreement for additional financing in the amount of \$25,000,000 with the International Finance Corporation (IFC) and \$10,000,000 with the Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden, N.V. (FMO), also known as the Netherlands Development Finance Company. In addition, in November 2001, Telecel Bolivia signed an agreement with Bayerische Landesbank ("BLB") for an aggregate amount of \$10,361,228. Among other things, the financing requires the company to maintain certain financial covenants such as a debt ratio,

long-term debt service coverage, and debt-to-equity ratio. As of December 31, 2003, the company was in breach of certain covenants on the IFC, FMO and BLG loans and the outstanding balances had been

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reclassified as current financing. In 2004, the lenders agreed to amend the terms of the loan and the company is therefore no longer in breach of any covenants and has accordingly reclassified the non-current portion of the outstanding balances to non-current other debt and financing. The IFC and FMO financing bears interest at LIBOR plus 3.75% and the BLB financing bears interest at LIBOR plus 1.15%.

As of December 31, 2004, \$21,048,000 (2003: \$28,765,000) was drawn down related to these financings. These financings have helped to fund the expansion and further digitalization of the Group's mobile cellular telecommunications network in Bolivia. These financings are repayable in tranches until 2007.

*ii) El Salvador*

In November 2004, Telemovil entered into a \$40,000,000 five year loan from a syndicate consisting of ABN Amro, Citibank and Scotiabank. This loan bears interest for the advances in U.S. dollars at 3 month LIBOR plus 2.5% and is repayable over 18 quarterly installments commencing in 2005. As of December 31, 2004 \$40,000,000 of this facility was outstanding.

As of December 31, 2003 a loan of \$51,517,000 was outstanding relating to the acquisition by Telemovil El Salvador of 30% of its own shares. This amount was fully repaid in 2004.

*iii) Guatemala*

In connection with the purchase of GSM equipment, Millicom's operation in Guatemala entered into a facility agreement in September 2003 with a syndicate of banks led by Banco G&T Continental. The facility agreement provides for a seven-year term loan facility in a maximum aggregate principal amount of Quetzal 400,000,000 of which 320,000,000 were drawn down (\$41,261,000). Amortization payments are payable semi-annually in the fixed amount of Quetzal 33,333,000 each and are scheduled to begin in March 2006. For the first year of the loan interest was fixed at an annual rate of 8.00% after which it became subject to semi-annual adjustment and as at December 31, 2004 was 8.75%. As of December 31, 2004, the Group share of debt was \$22,694,000 (2003: \$21,945,000).

*iv) Pakcom*

In 2003, Pakcom entered into a long-term financing agreement with National Bank of Pakistan for an amount of PKR 1,250,000,000 (\$21,035,000) bearing interest equal to the six month Pakistani Treasury Bill plus 2.4% (approximately 6.2% for the year ended December 31, 2004) repayable in equal installments until 2007. In 2004, Pakcom signed a three year loan agreement for PKR 250,000,000 (\$4,207,000) from the UBL Bank. The loan bears interest equal to the six month Pakistani Treasury Bill plus 2.5% (approximately 6.3% for the year ended December 31, 2004).

*v) Paktel SPV*

During 2003 Paktel entered into a Sale and Purchase Agreement of its existing and future receivables with SPV Limited, a special purpose vehicle incorporated in Pakistan. The total receivables sold amount to PKR 1,308 million (\$22.9 million) and their acquisition price amounts to PKR 990 million (\$17.3 million). SPV Limited has financed this acquisition by the issuance of Term Finance Certificates ("TFC") that have been underwritten by financial institutions for an aggregate amount of PKR 840 million (\$14.7 million) and by Pakcom for an amount of PKR 150 million (\$2.6 million). As Millicom bears the risks associated to this financing transaction Millicom has consolidated SPV Limited in its financial statements. As of December 31, 2004, the amount of TFC was \$7,860,000 (2003: \$15,612,000) and the corresponding net liability was \$5,759,000 (2003: \$10,555,000).

*vi) Sri Lanka*

In 2004, ABN-Amro arranged a six year syndicated loan of LKR 2,000,000,000 (\$19,143,000) for Celltel Lanka Limited of which LKR 900,000,000 (\$8,614,000) was drawn down as of December 31, 2004. One tranche, representing LKR 427,000,000 is guaranteed and carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 0.75% (approximately 8.15% for the year ended at December 2004). The unsecured tranche carries interest equal to the Sri Lankan Weighted Average Treasury Bill rate plus 3%. The company will repay the loan between 2006 and 2009.

*vii) Tanzania*

In June 2003, MIC Tanzania Ltd. entered into a 3 years syndicated loan relating to a term loan facility and a revolving loan facility with Standard Chartered Bank Tanzania Limited as arranger, pursuant to which MIC Tanzania Ltd. borrowed an aggregate of \$15,000,000 (\$6,000,000 in U.S. dollars and \$9,000,000 in Tanzanian Shillings). This facility bears interest for the advances in U.S. dollars at LIBOR plus 4.50% and for the advances in Tanzanian Shillings at the Treasury Bill Rate plus 4.50%, with a minimum applicable interest rate of 12% per annum. In 2004, the aggregate amount of the facility was increased by \$7,689,000 (TZS 8,000,000,000). As of December 31, 2004, \$19,097,000 (2003: \$13,173,000 representing a group share of \$7,819,000) of this facility was outstanding.

*h) Fair value of financial liabilities*

The financial liabilities are recorded at amortised cost. The fair value of the financial liabilities as at December 31, 2004 disclosed above is as follows:

	US\$ '000
Corporate debt at amortized cost	
10% Senior Notes(d)	564,129
5% Mandatory Exchangeable Notes(f)	328,694
	892,823
Other debt and financing	212,548
Fair value of total debt	1,105,371



i) Analysis of borrowings by maturity

The total amount repayable at December 31, 2004 and 2003 is as follows:

	Corporate 2004	Operations 2004	Total 2004	Corporate 2003	Operations 2003	Total 2003
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Due within:						
1 year	65	88,446	88,511	360	132,304	132,664
1 - 2 years	384,239	48,302	432,541	–	51,622	51,622
2 - 3 years	–	37,861	37,861	418,129	35,889	454,018
3 - 4 years	–	18,975	18,975	–	13,964	13,964
4 - 5 years	–	15,373	15,373	–	1,601	1,601
Due after 5 years	550,000	4,229	554,229	550,000	23,074	573,074
Total repayable	934,304	213,186	1,147,490	968,489	258,454	1,226,943
Unamortized difference between carrying amount and nominal amount	(32,604)	(473)	(33,077)	(53,535)	–	(53,535)
Total debt, net	901,700	212,713	1,114,413	914,954	258,454	1,173,408

## 19. OTHER NON-CURRENT LIABILITIES AND OTHER CURRENT LIABILITIES

Other non-current liabilities are mainly comprised of unpaid portion of license fees of Paktel and Millicom (Ghana) Ltd. amounting to \$187,635,000 as of December 31, 2004, asset retirement obligations and the net pension liability of the CEO (see Note 30).

Other current liabilities are comprised as follows:

	2004 US\$ '000	2003 US\$ '000
Taxes payable	78,926	43,218
Deferred revenue	41,416	31,915
Subscriber deposits	5,368	5,265
Ghana option (see Note 10)	993	–
Unpaid portion of license fees(i)	32,347	–
Other	17,075	28,244
	176,125	108,642

(i) includes amounts for Paktel of \$28.3 million and \$4.0 million for Millicom (Ghana) Ltd.

## 20. ANALYSIS OF GROUP REVENUES AND COSTS

The Group's revenues comprise the following:

	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000
Provision of telecom services	884,214	621,728	581,321
Connection revenues	11,138	10,212	7,982
Revenues from equipment sales	26,114	15,164	15,883
Total revenues	921,466	647,104	605,186

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The Group's cost of sales comprise the following:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Costs from the provision of telecom services	(357,602)	(239,910)	(238,983)
Connection costs	(4,458)	(3,564)	(3,554)
Costs from equipment sales	(26,274)	(14,528)	(16,993)
	<b>—</b>	<b>—</b>	<b>—</b>
Total cost of sales	(388,334)	(258,002)	(259,530)
	<b>—</b>	<b>—</b>	<b>—</b>
Included in cost of sales:			
Depreciation	(134,695)	(93,593)	(87,990)
Impairment charges	(7,237)	(2,518)	(6,833)

Included in the Group's operating costs are the following:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Personnel charges (Note 22)	(46,217)	(34,176)	(48,199)
Employee benefit expenses (Note 30)	(1,370)	(1,636)	—
Depreciation and amortization	(36,298)	(34,979)	(51,328)
Impairment charges	—	(3,073)	(82,986)

## 21. SEGMENTAL REPORTING

The Group operates mainly in one reportable business segment, telecommunications services. The Group's primary format for reporting segmental information is geographical segments and reflects the measures of segmental profit and loss and financial position reviewed by management. On January 1, 2004 Millicom changed its segmental reporting to reflect the five operational clusters in the Group. The strategic segments are defined in Notes 1 and 3.

Other than financing arrangements, there are no significant transactions between the segments. For the purposes of this presentation, corporate expenses are recorded in Unallocated.

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>South East Asia</b>			
Revenues	231,802	175,354	140,607
<i>of which divested</i>	—	—	1,113
Depreciation and amortization	(54,677)	(42,584)	(34,609)
<i>of which divested</i>	—	—	(4,812)
Operating profit	83,357	59,345	46,032
<i>of which divested</i>	—	—	(5,601)
Non-cash income (expenses)	9	(506)	199
<i>of which divested</i>	—	—	199
Profit before minority interest	68,279	51,047	31,894
<i>of which divested</i>	—	—	(13,318)
Assets	214,716	157,678	133,954
Capital expenditure	32,879	44,839	25,663

<i>of which divested</i>	-	-	4
Liabilities	(79,651)	(84,239)	(42,995)

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	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000
<b>South Asia(i)</b>			
Revenues	113,249	105,602	83,133
Depreciation and amortization	(29,999)	(22,178)	(16,161)
Operating profit	11,455	31,817	24,504
Non-cash (expenses) income	(4,939)	97	–
Profit (loss) before minority interest	2,399	17,721	13,746
Assets	429,557	115,927	139,657
Capital expenditure	291,761	13,558	18,777
Liabilities	(392,849)	(144,197)	(145,238)

(i) no divested operations for the periods presented

	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000
<b>Central America</b>			
Revenues	305,034	171,321	166,409
<i>of which divested</i>	–	5,926	50,506
Depreciation and amortization	(41,977)	(24,519)	(36,320)
<i>of which divested</i>	–	(2,058)	(16,441)
Operating profit (loss)	113,828	66,319	(33,166)
<i>of which divested</i>	–	(256)	(35,294)
Profit from associated companies	814	380	62
Non-cash income (expenses)	219	(381)	(79,422)
Profit (loss) before minority interest	79,269	52,615	(14,397)
<i>of which divested</i>	–	(2,218)	(40,498)
Assets	362,105	275,909	293,670
<i>of which divested</i>	–	–	110,711
Capital expenditure	65,656	60,762	16,994
<i>of which divested</i>	–	–	3,307
Liabilities	(143,404)	(158,223)	(61,542)
<i>of which divested</i>	–	–	(7,919)
	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000

<b>South America(i)</b>			
Revenues	114,006	99,343	111,145
Depreciation and amortization	(24,790)	(22,485)	(21,336)
Operating profit	16,146	18,571	22,299
Non-cash (expenses) income	(312)	4,208	(5,141)
Profit before minority interest	3,425	7,739	12,749
Assets	157,920	134,574	158,327
Capital expenditure	23,483	9,841	18,514
Liabilities	(113,399)	(123,560)	(143,650)

(i) no divested operations for the periods presented



	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>Africa</b>			
Revenues	149,979	84,858	62,011
Depreciation and amortization	(18,314)	(13,855)	(10,129)
<i>of which divested</i>	–	–	(20)
Operating profit	45,661	17,006	2,172
<i>of which divested</i>	–	–	(392)
Non-cash expenses	(1,833)	(4,239)	(745)
Profit before minority interest	24,644	6,600	(5,351)
<i>of which divested</i>	–	–	(500)
Assets	221,582	119,630	102,972
Capital expenditure	76,619	24,028	16,681
<i>of which divested</i>	–	–	12
Liabilities	(195,218)	(123,386)	(110,257)
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>Other</b>			
Revenues	7,396	10,626	15,671
<i>of which divested</i>	2,213	2,529	4,936
Depreciation and amortization	(1,237)	(2,516)	(8,088)
<i>of which divested</i>	(358)	(518)	(4,081)
Operating loss	(1,320)	(3,622)	(18,366)
<i>of which divested</i>	2,319	12	(14,764)
Non-cash expenses	65	(3,184)	(12,545)
<i>of which divested</i>	(59)	–	(9,329)
Loss before minority interest	(2,573)	(3,699)	(24,483)
<i>of which divested</i>	914	(18)	(21,556)
Assets	10,335	9,648	15,604
<i>of which divested</i>	–	1,804	2,927
Capital expenditure	3,690	17	9,978
<i>of which divested</i>	1,164	–	8,208
Liabilities	(8,377)	(11,085)	(14,485)
<i>of which divested</i>	–	(10,564)	(10,732)

- (i) The segment "Other" includes the activities of Millicom's subsidiary in Peru, its joint venture in Argentina (sold in September 2004), a subsidiary in Paraguay (Transcom Paraguay S.A.) and other services. The entities in Peru and Argentina provide fixed wireless data and internet access services and the entity in Paraguay provides call center services, and these are presented separately from Millicom's operations providing cellular telecommunication services. Had they been presented in a geographical segment, they would have been added to the segment "South America".

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>MIC Systems (divested in 2002)</b>			
Revenues	–	–	28,186
Depreciation and amortization	–	–	(6,814)
Operating profit	–	–	7,275
Non-cash expenses	–	–	(53)
Profit before minority interest	–	–	3,892
Capital expenditure	–	–	774
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>Unallocated items</b>			
Revenues	–	–	41
Depreciation and amortization	–	(432)	(5,861)
Operating (loss) profit	(20,245)	(26,921)	71,563
<i>of which divested</i>	–	–	(1,410)
Non-cash expenses	–	(1,854)	(464)
Profit (loss) before minority interest	(90,412)	61,495	(380,699)
<i>of which divested</i>	–	–	(6,914)
Assets	2,921,158	3,608,671	1,857,632
Capital expenditure	4	453	1,254
Liabilities	(1,888,076)	(2,350,741)	(2,365,170)
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>INTER-SEGMENT ELIMINATIONS</b>			
Revenues	–	–	(2,017)
Assets	(2,272,544)	(2,899,088)	(1,498,697)
Liabilities	1,058,539	1,413,873	1,408,692
	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
<b>TOTAL</b>			
Revenues	921,466	647,104	605,186
Of which divested	2,213	8,455	84,741
Depreciation and amortization	(170,994)	(128,569)	(139,318)
Of which divested	(358)	(2,576)	(32,168)
Operating profit	248,882	162,515	122,313
Of which divested	2,319	(244)	(50,186)
Profit (loss) from associates	814	380	62
Non-cash expenses	(6,791)	(5,859)	(98,171)
<i>of which divested</i>	(59)	–	(9,183)
Profit (loss) before minority interest	85,031	193,518	(362,649)
<i>of which divested</i>	914	(2,236)	(78,894)
Assets	2,044,829	1,522,949	1,203,119
<i>of which divested</i>	–	1,804	113,638
Capital expenditure	494,092	153,498	108,635
<i>of which divested</i>	1,164	–	12,305



Liabilities	(1,762,435)	(1,581,558)	(1,474,645)
<i>of which divested</i>	–	(10,564)	(18,651)

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Non-cash expenses other than depreciation and amortization comprise write-downs of assets disclosed in Note 23.

## 22. PERSONNEL CHARGES

The following personnel charges are included in sales and marketing expenses, general and administrative expenses and other operating expenses:

	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000
Wages and salaries			
Sales and marketing	8,817	6,784	8,761
General and administrative	21,883	19,320	23,961
Other operating expenses	12,443	5,285	10,609
	<u>43,143</u>	<u>31,389</u>	<u>43,331</u>
Social security			
Sales and marketing	626	499	948
General and administrative	2,320	2,168	3,809
Other operating expenses	128	120	111
	<u>3,074</u>	<u>2,787</u>	<u>4,868</u>
	<u>46,217</u>	<u>34,176</u>	<u>48,199</u>

The average number of permanent employees on a proportional basis during 2004 was 2,269 (2003: 1,917; 2002: 2,080).

Stock-based compensation offered to officers and employees are disclosed in Note 17.

## 23. DISPOSAL AND IMPAIRMENT OF ASSETS, NET

### a) Disposal and impairment of assets, net

	2004				
	Goodwill(i)	Licenses(ii)	Equipment(iii)	Other	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
South East Asia	–	–	–	(9)	(9)
South Asia	–	–	5,058	(119)	4,939
Central America	–	–	–	(219)	(219)
South America	–	–	287	25	312
Africa	–	–	1,892	(59)	1,833
Unallocated	–	–	–	–	–
Other	–	–	–	(65)	(65)
	<u>–</u>	<u>–</u>	<u>7,237</u>	<u>(446)</u>	<u>6,791</u>

- (i) Recorded under the caption "Other operating expenses"
- (ii) Recorded under the caption "General and administrative expenses"
- (iii) Due to the rollout of GSM networks in Millicom's operations in Latin America and Pakistan as well as the decrease in usage of analog equipment in certain operations in Africa, management

assessed the existing equipment for impairment, recognizing the impairment of assets in the caption "Cost of sales".

The recoverable amounts of the equipment were determined based on their value in use. The discount rates used ranged from 12.0% to 13.2% (2003: 11.9% to 12.0%)

	2003				
	Goodwill(i)	Licenses(ii)	Equipment(iii)	Other	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
South East Asia	–	–	–	506	506
South Asia	–	–	–	(97)	(97)
Central America	–	–	–	381	381
South America	–	–	(1,579)	(2,629)	(4,208)
Africa	–	–	4,097	142	4,239
Unallocated	–	–	–	1,854	1,854
Other	–	3,073	–	111	3,184
	–	3,073	2,518	268	5,859

(i) Recorded under the caption "Other operating expenses"

(ii) Recorded under the caption "General and administrative expenses"

(iii) Recorded under the caption "Cost of sales"

During 2003, Millicom entered into discussions concerning the sale of its high-speed wireless data operation in Peru. Following these discussions, Millicom has recognized an impairment charge of \$3,073,000 in the carrying value of the license in Peru (Note 5).

Due to revised anticipated lower revenues from non-digital equipment, Millicom recognized an impairment loss of \$4,097,000 over certain network equipment in Africa in 2003. In addition Millicom reversed an impairment loss in South America for an amount of \$1,579,000.

	2002				
	Goodwill(i)	Licenses(ii)	Equipment(iii)	Other	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
South East Asia	–	–	–	(199)	(199)
South Asia	–	–	–	–	–
Central America	35,723	41,733	–	1,966	79,422
South America	–	–	–	5,141	5,141
Africa	–	–	–	745	745
MIC Systems	–	–	–	53	53
Unallocated	–	–	–	464	464
Other	585	4,945	6,833	182	12,545
	36,308	46,678	6,833	8,352	98,171

- (i) Recorded under the caption "Other operating expenses"
- (ii) Recorded under the caption "General and administrative expenses"
- (iii) Recorded under the caption "Cost of sales"

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During 2002, Millicom entered into discussions concerning the sale of Celcaribe, its cellular operation in Colombia. Following the signing of a sale and purchase agreement in December 2002, management recognized an impairment loss corresponding to the difference between the recoverable amount and the carrying value of its intangibles in Celcaribe. Other impairments have also been identified and recorded as disclosed in the table above by reporting segment.

*b) Gain (loss) from sale of subsidiaries and joint ventures, net*

*2004*

In September 2004, Millicom completed the sale of Millicom Argentina S.A., its broadband operation in Argentina, for net total proceeds of \$2,000,000 realizing a net loss of \$2,061,000.

Following the restructuring of Millicom's holding in Millicom Lao Co. Ltd in December 2004, Millicom disposed of 3.9% of this operation realizing a gain of \$55,000.

In 2004, Millicom disposed or liquidated a number of subsidiaries realizing a loss of \$201,000.

*2003*

In February 2003, Millicom completed the sale of Celcaribe, its cellular operation in Colombia, realizing total proceeds of \$10,932,000 and a net gain of \$3,305,000.

Following the sale of a number of operations in 2002 and based on certain contractual provisions the Group recorded a net decrease in sales prices of \$1,092,000.

*2002*

Following the sale of the Company's interest in FORA Telecom BV in 2001 and after subsequently obtaining in 2002 certain GSM licenses, Millicom received additional proceeds of \$30 million in cash. In addition, certain loans for which Millicom was liable were settled at less than their carrying value. The gain realized in obtaining the licenses and settling the loans, net of costs incurred was \$30,859,000 in 2002.

In July 2002, Millicom's minority shareholder in its cellular operation in Vietnam exercised his option to purchase 10% of the share capital of that operation. Millicom recognized a gain of \$16,603,000 in 2002.

In September 2002, Millicom sold its interest in its cellular operation in the Democratic Republic of Congo recognizing a loss of \$21,000.

In September 2002, the Group sold its 100% interest in Liberty Broadband Ltd. recognizing a loss of \$10,294,000.

In May 2002, Millicom sold 17% of its interest in MIC Systems BV, the direct parent company of MACH SA, for \$17,000,000 to Kinnevik BV. Further, in November 2002, MIC Systems BV sold its 100% interest in Mach SA for a sum of Euro 95 million, approximately \$97,000,000. These two transactions resulted in the recognition of a gain of \$87,655,000 for the Group.

In December 2002, the Group completed the sale of its cellular operation in the Philippines for a nominal sum, recognizing a loss of \$35,988,000.

## **24. TAXES**

Group taxes are 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 2004, 2003 or 2002.

The effective tax burden on profitable operations is approximately 23% (2003: 27%, 2002: 25%). Currently profitable operations are in jurisdictions with tax rates of 15% to 37% (2003: 15% to 41%, 2002: 13% to 35%). The utilization of tax loss carry forwards or tax holidays had an impact of decreasing the effective tax rate on profitable operations by approximately nil% in 2004 (2003: 1%, 2002: 1%). The operations currently incurring losses operate in tax jurisdictions with rates ranging from 20% to 37% (2003: 25% to 27%, 2002: 25% to 35%).

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	%	%	%
Weighted average statutory tax rates(i)	24	26	19
Items taxed at other than weighted average rate	3	15	10
Changes in tax law Guatemala	(4)	–	–
Non taxable/deductible items	18	(19)	(35)
Utilization of tax loss carry forwards	–	(1)	(1)
	<u>          </u>	<u>          </u>	<u>          </u>
Effective tax rate	41	21	(7)
	<u>          </u>	<u>          </u>	<u>          </u>

- (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 before tax, by the aggregate profit before tax.

The charge for income taxes 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):

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
Current income tax charge	58,347	38,369	21,143
Deferred income tax charge	553	14,000	1,591
	<u>          </u>	<u>          </u>	<u>          </u>
Charge for taxes	58,900	52,369	22,734
	<u>          </u>	<u>          </u>	<u>          </u>



The tax effects of significant items comprising the Group's net deferred income tax liability as of December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
	US\$ '000	US\$ '000
Deferred income tax liabilities:		
Temporary differences between book and tax basis of assets and liabilities	(39,216)	(38,006)
Deferred income tax assets:		
Tax credit carryforwards	2,734	2,734
Other temporary differences	96	926
Provision for doubtful debtors	1,983	424
Net operating and other loss carryforwards	1,070	1,142
	<u>5,883</u>	<u>5,226</u>
Net deferred income tax assets		
	<u>5,883</u>	<u>5,226</u>
Net deferred income tax liability	(33,333)	(32,780)
	<u>(39,216)</u>	<u>(38,006)</u>
Amount included in balance sheet as non-current deferred tax liability		
	<u>(39,216)</u>	<u>(38,006)</u>
Amount included in balance sheet as non-current deferred tax asset	5,883	5,226
	<u>5,883</u>	<u>5,226</u>

Deferred income tax liabilities reflect temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets are comprised of tax credit carry forwards and operating losses in joint ventures and subsidiaries.

The Company has not recorded deferred income tax liabilities applicable to undistributed earnings of foreign joint ventures and subsidiaries that will be reinvested in foreign operations. Undistributed earnings amounted to \$441,650,000 at December 31, 2004 (2003: \$338,052,000, 2002: \$279,883,000).

Net operating and other loss carryforwards amounting to \$20,105,000 (2003: \$10,849,000, 2002: \$189,080,000) are present in the Group. These have expiry periods depending on their jurisdiction of greater than one year. \$nil (2003: \$2,479,000, 2002: \$177,271,000) of these net operating and other loss carryforwards are not anticipated to be used within expiry periods.

## 25. CASH FLOW FROM OPERATING ACTIVITIES

	2004 US\$ '000	2003 US\$ '000	2002 US\$ '000
Profit (loss) after taxes for the year	68,241	178,823	(385,143)
Adjustments for non-cash items:			
Depreciation and amortization	170,994	128,569	139,318
Interest accretion on borrowings (effective rate)	16,262	9,727	1,938
Write-down of assets	6,791	5,859	78,167
Gain on exchange and disposal of assets	2,207	(2,213)	(88,814)
Loss (Gain) and valuation movement on investment securities	126,957	(246,760)	299,963
Fair value result on financial instruments	(148,816)	84,578	7,858
(Profit) loss from operations in associated companies	(814)	(380)	(62)
Exchange loss on 5% Mandatory Exchangeable Notes	27,550	41,820	–
Increase in the provision for doubtful receivables	(316)	5,794	2,558
Increase in other provisions	2,975	–	–
Minority interest	16,790	14,695	22,494
Other non-cash gain	–	(533)	–
Other financial income	–	(96,748)	(42,247)
Adjustment to reconcile working capital:			
Decrease/(increase) in trade debtors, prepaid and other current assets	(52,049)	16,463	5,790
(Increase) decrease in inventories	(5,358)	(1,387)	5,386
Increase in trade and other payables	52,807	1,001	25,928
Increase (decrease) in accrued interest	110	2,828	(8,841)
Increase in accrued taxation	18,912	27,720	2,986
Reclassification to financing activities			
Early redemption penalties on debt restructuring	–	14,466	–
Net cash provided by operating activities	303,243	184,322	67,279

Interest paid during the year amounted to \$92,162,000 (2003: \$135,346,000, 2002: \$197,297,000). Interest received during the year amounted to \$7,169,000 (2003: \$4,235,000, 2002: \$12,726,000). Taxes paid amounted to \$39,988,000 (2003: \$20,305,000, 2002: \$21,582,000).

## 26. ACQUISITION OF SUBSIDIARIES AND JOINT VENTURES

The Group has, from time to time, acquired or increased its share in certain subsidiaries and joint ventures. The fair value of the assets acquired and liabilities assumed during the year were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000	US\$ '000
Property, plant and equipment	8,531	22,464	–
Goodwill	(3,660)	46,101	2,268
Intangible assets	116	468	–
Pledged deposits	586	–	–
Current assets	5,061	29,178	390
Amounts due in more than one year	(3,447)	(70,501)	–
Amounts due within one year	(6,162)	(11,177)	–
Minority interest	–	–	(658)
	<u>1,025</u>	<u>16,533</u>	<u>2,000</u>
Non cash gain	–	(533)	–
	<u>1,025</u>	<u>16,000</u>	<u>2,000</u>
Total purchase price paid in cash	1,025	16,000	2,000
Less: Cash acquired	(19)	(17,028)	–
	<u>1,006</u>	<u>(1,028)</u>	<u>2,000</u>
Cash paid (received) for acquisitions net of cash acquired	1,006	(1,028)	2,000

In 2004, Millicom increased its holding in its operation in Tanzania from 59.4% to 84.4% and in 2003 from 57% to 59.4%.

In 2003, Millicom regained control and started reconsolidating Telemovil its operation in El Salvador (Note 3).

In 2002, the Company increased its ownership in Celcaribe throughout the year to arrive at an ownership percentage of 95.4% as of December 31, 2002. In addition, in November 2002, Millicom purchased the remaining 30% interest in Millicom (Ghana) Limited. Both operations were fully consolidated at December 31, 2002.

## 27. DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

The Group has, from time to time, disposed of or reduced its share in certain subsidiaries and joint ventures. The impact of the change in consolidation method and the carrying amount of the assets and liabilities disposed of during the year were as follows:

	2004 US\$ '000	2003 US\$ '000	2002 US\$ '000
Property, plant and equipment	2,104	33,496	11,396
Intangible assets	–	51,473	26,332
Pledged deposits	–	(997)	30,989
Current assets	944	15,300	72,553
Amounts due in more than one year	–	(33,883)	(2,125)
Amounts due within one year	(2,398)	(56,240)	(86,899)
Currency translation adjustment	(1,708)	–	–
Loans written-off	5,285	–	–
Disposal of minority interest	–	–	5,594
	4,227	9,149	57,840
(Loss) profit on sale	(2,207)	2,213	57,955
	2,020	11,362	115,795
Total sale price, in cash and cash equivalents			
Add: Additional proceeds on sale of FORA less expenses incurred	–	–	27,547
Less: Cash disposed	(59)	(2,514)	(8,271)
Deferred sales proceeds	(1,000)	–	–
Available-for-sale securities received	–	–	–
	961	8,848	135,071
Cash flow on disposal net of cash			

The results, assets and liabilities of divested operations are summarized in Note 21.

In 2004, Millicom sold its interest in its operation in Argentina and in 2003 its interest in its operation in Colombia. In 2002, Millicom disposed of MIC Systems, including MACH, its GSM clearing-house, and disposed of its operation in the Philippines.

## 28. NON-CASH INVESTING AND FINANCING ACTIVITIES

	2004 US\$ '000	2003 US\$ '000	2002 US\$ '000
Investing activities:			
Revaluation of marketable securities	(127,158)	246,760	(57,813)
Acquisition of El Salvador	–	51,371	–
Acquisition of licenses	221,246	–	–
Financing activities:			
Redemption of debt	–	(150,350)	(42,247)
Issuance of capital	67,986	1,181	–
Payment of debt to shareholders	–	2,394	–

## 29. COMMITMENTS AND CONTINGENCIES

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, 2004, Millicom's consolidated share of these matters that have not been provided totaled \$72,635,000 of which \$438,000 relate to joint ventures. 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.

#### *Tele2 AB series B shares*

The Tele2 AB series B ("Tele2") shares underlying the 5% Mandatory Exchangeable Notes (Note 18) have been lent to Deutsche Bank AG London pursuant to a securities lending arrangement. Millicom Telecommunications S.A. is obligated to deliver Tele2 shares upon exchange of the 5% Mandatory Exchangeable Notes even in the event of a failure of Deutsche Bank AG London to redeliver to Millicom Telecommunications S.A. Tele2 shares.

#### *MACH*

In November 2002, Millicom completed the sale of Multinational Automated Clearing House S.A. ("MACH"). Following examination of the books and records of MACH subsequent to purchase, the buyers have claimed a reduction in the purchase price to reflect a claimed lower balance sheet value, as per the terms of the purchase agreement. Millicom's management is still examining this claim and does not expect there to be a significant impact on the Group's consolidated financial statements.

#### *Debt pledges and guarantees*

Details of debt pledges and guarantees are contained in Note 18.

#### *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.

#### *Lease commitments*

##### *Operating Leases:*

The Group has the following annual operating lease commitments as of December 31, 2004 and 2003.

		<u>2004</u>	<u>2003</u>
		US\$ '000	US\$ '000
<b>Operating lease commitments</b>			
Within:	one year	7,035	5,992
Between:	one - two years	4,877	4,501
	two - three years	4,946	3,863
	three - four years	3,641	4,186
	four - five years	3,232	3,183
After:	five years	9,784	7,637
		<u>          </u>	<u>          </u>
Total		33,515	29,362
		<u>          </u>	<u>          </u>

Operating lease expense was \$12,471,000 in 2004 (2003: \$8,624,000, 2002: \$10,527,000).

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### *Finance leases:*

Future minimum payments on the finance leases are as follows:

		<b>2004</b>	<b>2003</b>
		<b>US\$</b>	<b>US\$</b>
		<b>'000</b>	<b>'000</b>
<b>Finance lease repayments</b>			
Within:	one year	214	137
Between:	one - two years	202	22
	two - three years	207	1
	three - four years	214	–
	four - five years	214	–
After:	five years	–	–
Total		1,051	160

The finance 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 a fixed commitment to purchase network equipment, land and buildings and other fixed assets for a value of \$91,848,000 (2003: \$39,472,000) of which \$13,939,000 (2003: \$10,779,000) relate to joint ventures, from a number of suppliers.

As of December 31, 2004, as part of the 2002 and 2003 amendments (Note 3) Comvik International (Vietnam) AB still needs to disburse, before the end of the revenue sharing agreement on May 18, 2005, approximately \$27,639,000, of which \$21,908,000 are already ordered and included in the commitment described above.

### *Dividends*

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

### *Contingent assets*

Due to the late delivery by a supplier of network equipment in Central and South America, Millicom is entitled to a total compensation for suffered damages amounting to approximately \$9.8 million. This compensation is in the form of discount vouchers on future purchases of network equipment. The recognition of the compensation as "other operating income" occurs when the network equipment purchased is delivered. As of December 31, 2004, approximately \$6.5 million of compensation is expected to be recognized as other operating income in the first and second quarters of 2005. In 2004, Millicom recognized as "other operating income" compensation of \$3.3 million.

## **30. RELATED PARTY TRANSACTIONS**

### *a) Remuneration of the directors and senior executives*

#### *Principles*



The remuneration of the members of the board of directors of the Company (the "Board") is comprised of an annual fee and stock options. The annual fee and the number of stock options granted are proposed by the Board and approved by the shareholders at the Annual General Meeting of Shareholders (the "AGM").

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The remuneration of the President and Chief Executive Officer (the "CEO") and other senior executives comprises an annual base salary, bonuses, stock options, other benefits and social security contributions. The CEO also receives a pension contribution. "Other senior executives" includes the Chief Operating Officer, the Senior Executive Vice President, the Executive Vice President-Operations, the Chief Financial Controller, the Chief of Finance-Global Operations, the Cluster Managers for South East Asia, South Asia, Central America and South America. The bonus and stock options programmes are based on actual performance (including individual and Company performance). Options are granted once a year by the Shareholders at the AGM following the recommendation of the Board. For 2004, the annual base salary and other benefits of the CEO was approved by the Chairman of the Board, and the annual base salary and other benefits of other senior executives was set by the CEO. The bonus for 2004 for senior executives was approved by the Compensation Committee. For 2005, the remuneration of all senior executives is approved by the Compensation Committee composed of four members of the Board.

#### *Remuneration and pensions*

##### *2004*

The remuneration charge for 2004 of the Chairman of the Board (the "Chairman") was \$56,000 and a total of \$315,000 for the other members of the Board. In 2004, 20,000 stock options were granted to the Chairman and 120,000 to the other members of the Board at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the Chairman held 20,000 stock options and the other members of the Board held 465,600 stock options.

The remuneration charge of the CEO for 2004 was \$1,988,000 of which bonus amounted to \$497,300. The pension insurance charge of the CEO for 2004 amounted to \$1,370,000 of which \$396,000 related to the 2004 service cost and interest and \$974,000 represented the difference between the actuarial liability and the plan assets. Future contributions to the pension insurance of the CEO are based on a service cost and interest paid to a third party insurance company. The yearly contribution is based on the projected entitlement at the time of retirement and is based on an average of the annual base salary of previous years and length of service with the Company. As of December 31, 2004, the pension actuarial liability amounted to \$3,827,000 and the pension plan assets amounted to \$2,853,000. The net pension liability of \$974,000 is recorded under the caption "Other non-current liabilities". In 2004, 50,000 options were granted to the CEO at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the CEO held 1,561,100 stock options.

The remuneration charge for the other senior executives (9 executives) for 2004 was a total of \$3,612,300 of which bonuses amounted to \$953,700 and other benefits amounted to \$682,800. No contributions to pension funds were made for other senior executives. In 2004, 152,100 options were granted to the other senior executives at an exercise price equal to the market price at date of grant plus a mark-up of 10%. As of December 31, 2004, the other senior executives held 710,000 stock options.

##### *2003*

The remuneration for 2003 of the Chairman was \$96,000 and a total of \$247,500 for the other members of the Board. In 2003, 34,000 stock options were granted to the Chairman and 136,000 to the other members of the Board at an exercise price equal to the market price at date of grant. As of December 31, 2003, the Chairman held 634,000 stock options and the other members of the Board held 368,700 stock options.

The remuneration charge of the CEO during 2003 was \$1,749,000 of which bonus amounted to \$606,000. The pension insurance cost of the CEO for 2003 amounted to \$1,636,000. In 2003, 600,000

options were granted to the CEO at an exercise price equal to the market price at date of grant. As of December 31, 2003, the CEO held 1,600,000 stock options.

The remuneration charge for 2003 for the other senior executives (10 executives, including in 2003 the Cluster manager for Africa) was a total of \$3,988,700 of which bonuses amounted to \$1,173,800 and other benefits of \$662,400. No contributions to pension funds were made to other senior executives. 325,300 stock options were granted in 2003 to other senior executives at an exercise price equal to the market price at date of grant. As of December 31, 2003, the other senior executives held 948,300 stock options.

#### *Severance payments*

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

#### *Other*

From time to time, Millicom has allowed its senior executives to participate in its operations. The following participations and options are held by senior executives:

Share options totaling 1% of the outstanding share capital in Millicom International BV are held by Mr. Beuls, President and Chief Executive Officer of Millicom (See Note 17).

In Millicom's operations in Vietnam, Mr. M.A. Zaman, a senior vice president of Millicom, owns 20% of Comvik International (Vietnam) AB. In Millicom's operations in Cambodia, Mr. Zaman owns 3.1% of CamGSM Company Limited and 3% of Royal Telecom International Limited. In Laos, Mr. Zaman owns 3.9% of Millicom Laos. Mr. Zaman holds the right to acquire an equity ownership in certain countries in the event he is able to obtain a license for Millicom.

#### *b) 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, 2004, Kinnevik owned approximately 35.6% of Millicom.

On December 31, 1995 Millicom acquired 17.7% of MACH from Kinnevik. The consideration, which was to have a minimum present value of \$5,000,000 at December 31, 1995, consisted of (i) an initial payment of \$1,000,000 plus interest, at the ruling market rate, for the month of January 1996, (ii) seven additional payments for each of the financial years 1996 to 2002, calculated as 17.7% of MACH's pre-tax profit for the relevant year and payable in April of the following year, and (iii) a final payment payable in April 2003, calculated as the higher of (a) the sum of the seven additional payments multiplied by a factor of 1.3 minus the initial payment or (b) the amount required to make the present value of all payments at December 31, 1995 equal to \$5,000,000. The final payment was made in common stock of Millicom. In 2002 an amount of \$3,958,000 due to Kinnevik was included in the balance sheet under the heading "Amounts due to shareholders". In addition, as of December 31, 2002, Millicom owed \$63,000 for additional charges. The balance was settled in 2003.

In May 2002, Millicom sold a 17% interest in MIC Systems BV, the parent company of MACH to Kinnevik BV for \$17,000,000.

During 2002, Kinnevik purchased Millicom 13.5% Notes (Note 18) on the open market with a face value of \$44,000,000. Millicom then exchanged these for \$1,500,000 cash and 672,016 Tele2 AB series B shares at market prices.

During the course of 2002, Millicom sold an additional 6,177,369 Tele2 AB series B shares at market prices to Kinnevik for a value of \$104,295,000.

During 2004, Kinnevik purchased 5,600,000 Millicom shares of the Company of which 4,050,000 in the Share Offering on December 7, 2004 (see Note 17).

The Group maintains corporate bank accounts at Banque Invik, a subsidiary of Kinnevik, through which it makes payments and receives cash in the normal course of business. As of December 31, 2004, the Group had current accounts, time deposits, blocked deposits and a bank facility of \$3,000,000 at Banque Invik.

*c) Tele2 AB*

In November 2001, Millicom sold 100% of its interests in FORA Telecom BV, its Russian Cellular telephone operations to Tele2 AB for a consideration of \$80 million in Tele2 AB series "B" shares plus a maximum equivalent of \$30 million in cash or additional Tele2 AB series "B" shares, depending on the outcome of GSM license applications for three of Millicom's cellular telephone operations in Russia. The sale resulted in a \$6,693,000 gain on the disposal in 2001 (Note 23). During 2002, Millicom obtained the necessary GSM licenses referred to above and received the additional proceeds of \$30 million in cash. In addition, certain loans for which Millicom was liable were settled at less than their carrying value. The gain realized in obtaining the licenses and settling the loans net of costs incurred in the acquisition of the licenses, amounted to \$30,859,000 in 2002.

*d) Great Universal and Modern Holdings*

As of December 31, 1998, the Group, through its subsidiary MIC-USA inc. ("MIC-USA"), had a 100% temporary and restricted shareholding in Great Universal. On December 31, 1999, MIC-USA transferred its 100% ownership and related rights in Great Universal to Great Universal LLC 1999 Trust for a consideration of \$5,027,000, corresponding to the net book value of Millicom's investment in Great Universal. During 2002, Millicom recorded an impairment loss for 100% of this asset due to uncertainty concerning its recoverability (Note 9). The rights and obligations of MIC-USA toward Great Universal were assigned to Great Universal LLC. Great Universal continues to indemnify Millicom against certain contingent liabilities. Great Universal and Modern Holdings are mainly engaged in the communications, information technology, teleservices and media industries primarily.

In June 1999, Great Universal effected a reorganization where it spun off its subsidiaries into two separate businesses being Great Universal Inc. and Modern Holdings. Great Universal LLC holds 100% of common shares in Great Universal Inc. and 52.7% of common shares in Modern Holdings. Millicom also has a direct ownership of 11.6% of the share capital of Modern Holdings. These investments are recorded as non-current available-for-sale security (note 9).

Millicom does not consolidate its investments in Great Universal and Modern Holdings since the restrictions on their ability to distribute dividends is considered a severe long-term restriction that significantly impairs their ability to transfer funds to Millicom. Further, due to the existence of warrants, enabling the warrant holders to obtain control over Great Universal and Modern Holdings, Millicom considers that it does not control these companies.

*e) Services purchased and sold to affiliated companies*

The following sales and purchases and outstanding balances occurred with companies affiliated to Millicom. The services purchased and supplied covered fraud detection, network and IT support, acquisition of assets and customer care systems.

Millicom had the following payables to related parties and made purchases from related parties as follows:

	<b>Purchases in year</b>		<b>Amount payable as of December 31,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
Applied Sales Management	–	–	–	–
Applied Value	81	369	–	24
AVI	403	–	70	–
Banque Invik	665	937	57	348
Bassett	376	451	130	40
Ephibian	–	24	–	14
Foreign Value	1,859	730	–	–
Fischer Partners	37	–	–	–
Great Universal	192	–	78	–
Kinnevik	5	–	–	–
Metro	21	–	–	–
Modern Treuhand	569	–	415	–
Modern Times Group	5	–	1	–
Netcom Consultants	1,129	352	–	–
Praesidium	13	50	–	–
Procure-it-right	978	1,384	8	72
Search Value	257	159	–	38
Shared Services	146	–	34	–
Shared Value	680	638	5	41
Tele2 AB	234	247	177	31
3C Communications Intl	233	182	–	–
	<b>7,883</b>	<b>5,523</b>	<b>975</b>	<b>608</b>

As of December 31, 2004 and 2003, Millicom had the following receivables from related parties:

	<b>2004</b>	<b>2003</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
Kinnevik	154	154
Metro	–	247
Millicom Technologies Ltd	83	–
Modern Holdings	1,383	1,690
Modern Times Group	265	265
Netcom	8	16
Shared Value	18	18
Stonebrook Enterprises	156	156
Tele2 AB	–	359
	<b>2,067</b>	<b>2,905</b>



## 31. EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share are comprised as follows (i):

	2004	2003	2002
Net profit (loss) attributable to shareholders (US\$`000)	68,241	178,823	(385,143)
Weighted average number of shares outstanding during the year (in `000)	83,335	65,312	65,272
Basic (loss) earnings per share (US\$)	0.82	2.74	(5.90)
Net profit (loss) attributable to shareholders (US\$`000)	68,241	178,823	(385,143)
Interest expense on convertible debt (US\$`000)	1,217	3,476	–
Net profit (loss) used to determine diluted earnings per share (US\$`000)	69,458	182,299	(385,143)
Weighted average number of shares outstanding during the year (in `000)	83,335	65,312	65,272
Adjustments for:			
Assumed conversion of convertible debt (in `000)(ii)	6,462	15,186	–
Share options (in `000)(iii)	515	2	–
Weighted average number of shares and potential dilutive shares outstanding during the year (in `000)	90,312	80,500	65,272
Diluted earnings (loss) per common share (US\$)	0.77	2.26	(5.90)

- (i) All share amounts have been adjusted to reflect the reverse stock split approved on February 16, 2004 (see Note 17).
- (ii) For 2003, the number of shares for the assumed conversion of convertible debt represents the weighted average number of convertible shares in the year that would result if the remaining principal amount of the 2% PIK Notes had been converted into Millicom's common shares on May 8, 2003. For 2004, potential ordinary shares that have been converted into ordinary shares during the reporting period are included in the calculation of diluted earnings per share from the beginning of the period to the date of conversion. From the date of conversion, the resulting shares are included in both the basic and diluted earnings per share.
- (iii) As of December 31, 2004, the Group had 802,303 (2003: 1,791,961; 2002: 1,956,204) stock options that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the period presented.

## 32. RECONCILIATION TO U.S. GAAP

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). If the consolidated financial statements had been prepared under accounting principles generally accepted in the United States of America ("U.S. GAAP") the following principal differences would arise:

- On March 31, 2004 Millicom adopted Financial Interpretation No. 46, revised 2003 ("FIN 46"), *Consolidation of Variable Interest Entities*. FIN 46 applies to legal entities in which a variable interest is held. Such entities are referred to as variable interest entities ("VIEs"). VIEs are those entities possessing certain characteristics, which indicate either a lack of equity

investment sufficient to cover the expected losses of the entity or the equity holders lack of characteristics consistent with holding a controlling financial interest. When an entity is a VIE the party whose interests absorb a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, is deemed to be the Primary Beneficiary and must consolidate the VIE.



Prior to the adoption of FIN 46 on March 31, 2004 (as it relates to entities created prior to February 1, 2003), under U.S. GAAP an entity should consolidate all enterprises in which it has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority of the outstanding voting shares. Accordingly, absent of a reason that Great Universal Inc. ("GU") and Modern Holdings ("Modern") should not be consolidated, they should be consolidated. The restrictions on the ability of GU and Modern to distribute dividends would not preclude consolidation under U.S. GAAP and potential voting rights are generally not considered in determining whether an entity should be consolidated. Therefore, under U.S. GAAP, both GU and Modern are consolidated.

Millicom adopted FIN 46 on March 31, 2004 for entities created prior to February 1, 2003, and as a result, began consolidating its interest in the following VIEs: (i) Cam GSM Company Limited a joint venture of Millicom in Cambodia, (ii) Royal Telecom International Limited a joint venture of Millicom in Cambodia, (iii) Millicom Argentina S.A. (sold in September 2004) a former joint venture of Millicom in Argentina and (iv) Comunicaciones Celulares S.A. a joint venture of Millicom in Guatemala. The VIEs under (i) to (iv), collectively, are referred to as the "Joint Ventures interests". Under IFRS, the Joint Ventures interests are proportionally consolidated. In addition, Great Universal Inc. ("GU") and Modern Holdings ("Modern"), which were consolidated under U.S. GAAP before the adoption date of FIN 46 (see item 15), are variable interest entities, which continue to be consolidated under FIN 46. For IFRS, GU and Modern are not consolidated. The effect of consolidating GU and Modern under U.S. GAAP in 2004 is an additional net profit of \$1,013,000 (2003: net profit of \$4,603,000; 2002: net loss of \$1,630,000). The adoption of FIN 46 did not lead to the deconsolidation of any interests previously consolidated under U.S. GAAP.

The effect of consolidating the above mentioned VIE's is reflected in the U.S. GAAP reconciliation of the balance sheet and statement of profit and loss, which are presented on the following pages. Information on the Group's share of revenues and expenses contributed on a proportional basis under IFRS are included in Note 3 to the consolidated financial statements. The cumulative impact of adopting FIN 46 as of March 31, 2004 was \$2,865,000, including \$2,832,000 relating to the discontinued operation Millicom Argentina S.A. and has been recorded as a cumulative effect of change in accounting principle in these consolidated financial statements.

Millicom has determined that it holds a significant variable interest in its joint venture in Honduras, Telefonica Celular. Millicom has been associated with Telefonica Celular since its formation in 1995. The Telefonica Celular joint venture is accounted for under the equity method for U.S. GAAP and is proportionally consolidated for IFRS. Telefonica Celular is a cellular telephone operator in Honduras. The size of Telefonica Celular and Millicom's maximum exposure to loss as a result of its involvement with this entity is as follows for the year ended and as of December 31, 2004:

<b>Under IFRS</b>	<b>Revenues</b>	<b>Operating Profit</b>	<b>Total assets</b>	<b>Maximum Exposure to loss</b>
	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>
Telefonica Celular (Honduras)	123,704	58,605	83,364	29,103

The adjustment to reflect Millicom's investment in joint ventures not consolidated under FIN 46 (Telefonica Celular and Emtel Limited) from proportionally consolidated under IFRS to equity method under U.S. GAAP, is also reflected in the balance sheet reconciliation on the following pages. As of December 31, 2004, the total amount of retained earnings that represented undistributed earnings of 100% of Telefonica Celular and Emtel Limited amounted to \$63,420,000 (2003: \$46,764,000).

The size of 100% of Telefonica Celular and Emtel Limited in which Millicom holds 50% interest is as follows for the year ended and as of December 31, 2004:

	<b>Telefonica Celular</b>	<b>Emtel limited</b>
	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>
Non-current assets	41,556	29,341
Current assets	41,808	10,726
Non-current liabilities	3,024	6,872
Current liabilities	22,134	14,273
Revenues	124,472	31,060
Gross profit	98,206	29,430
Net profit	40,940	14,832

The size of 100% of Telefonica Celular and Emtel Limited in which Millicom holds 50% is as follows for the year ended and as of December 31, 2003:

	<b>Telefonica Celular</b>	<b>Emtel limited</b>
	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>
Non-current assets	37,286	20,284
Current assets	41,935	8,855
Non-current liabilities	2,476	1,630
Current liabilities	19,620	19,273
Revenues	95,716	24,004
Gross profit	78,526	15,652
Net profit	34,476	5,390

As of December 31, 2004 the carrying amount of consolidated assets that are collateral for the Joint Ventures interests is \$1,174,000. In addition, as of December 31, 2004, Millicom issued corporate guarantees for an amount of \$7,228,000 covering debt in the Joint Ventures interests.

2. Under the equity method, if an investor's share of losses of an associate equals or exceeds the amount of investment plus advances made by the investor, the investor ordinarily discontinues including its share of losses and the investment is reported at nil value. If the investee subsequently reports net income, the investor should resume applying the equity method only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended. Additional losses are provided for when the investor has guaranteed obligations of the investee or is otherwise committed to provide further financial support to the investee. Losses recognized in excess of the investor's total investment due to a commitment to provide further financial support are recorded as a liability.

Prior to the adoption date of FIN 46 on March 31, 2004, as it relates to entities created prior to February 1, 2003 Millicom's interests in joint ventures were accounted for under the equity method under U.S. GAAP. Summarized below are the adjustments to the profit and loss account that are required under U.S. GAAP for a) the additional losses recorded by Millicom above those recorded for IFRS due to Millicom's commitment to provide further financial support to the joint ventures (these additional losses are reversed to the extent of net income

subsequently reported by the joint ventures) and b) discontinuing Millicom's share of losses on certain joint ventures in excess of Millicom's total investment in the joint venture.

	December 31, 2004 U.S.\$ '000	December 31, 2003 U.S.\$ '000	December 31, 2002 U.S.\$ '000
Additional losses in excess of investment value and subsequent reversal	21	(1,052)	(3,805)
Discontinued share of losses	—	—	(416)
	<u>21</u>	<u>(1,052)</u>	<u>(4,221)</u>

3. Under IFRS, Millicom started reconsolidating its operation in El Salvador ("Telemovil") in September 2003 after the dispute with the minority shareholders was resolved (Note 3). From May 2001, starting date of the shareholders' dispute, to September 2003, Telemovil was accounted for as a cost investment under U.S. GAAP, as Millicom was unable to exert significant influence over Telemovil. Since September 15, 2003, Telemovil is consolidated due to Millicom's controlling interest. Under U.S. GAAP, Millicom has restated its historical financial statements for the year ended December 31, 2002 prepared under U.S. GAAP to reflect its investment in Telemovil as an equity investment in that year and in the period ended September 15, 2003, as required under Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*. The adjustment to the profit and loss account to record Millicom's share of Telemovil's equity earnings under U.S. GAAP for the period from January 1, 2003 to September 15, 2003 and for the year ended December 31, 2002 is \$5,830,000 and \$7,887,000 respectively. Accordingly, the carrying amount of investments in associates as previously reported under U.S. GAAP as at December 31, 2002 has been increased by a cumulative effect of \$10,527,000 (including \$2,640,000 of Millicom's share in net profit for the period from May 2001 to December 2001). Upon consolidation, under U.S. GAAP, Millicom has reclassified an amount of \$19,605,000 from the carrying amount of its investment in Telemovil to goodwill, corresponding to the remaining difference between the investments cost and the underlying equity in net assets of Telemovil at the date of investments in Telemovil. Under IFRS, prior to the consolidation in September 2003, Telemovil was recorded as an available-for-sale investment and therefore no reclassification to goodwill was recorded.

The following unaudited pro forma condensed combined financial information represent the consolidated figures of Millicom including Telemovil as if Telemovil was consolidated in 2003 and 2002 and is presented for illustrative purposes only. These figures are not necessarily indicative of the operating results or financial positions that would have occurred if the acquisition of Telemovil had been consummated on January 1, 2003 and 2002 respectively, nor is it necessarily indicative of future operating results or financial position of the combined company. The information below is based upon Millicom's and Telemovil's historical IFRS financial information. Pro forma net profit (loss) includes pro forma adjustments for interest

and amortization and depreciation of assets adjusted to the accounting base recognized for each in the acquisition:

Pro forma under IFRS	2003	2002
	U.S.\$ '000	U.S.\$ '000
	(Unaudited)	(Unaudited)
Total revenues	727,989	703,760
Net profit (loss)	188,741	(379,483)
Basic net profit (loss) per share	2.89	(5.81)
Diluted net profit (loss) per share	2.39	(5.81)
Shares used to compute basic profit (loss) per share	65,312	65,272
Shares used to compute diluted profit (loss) per share	80,500	65,272

4. The value of cellular properties contributed by the shareholders of certain of the Company's subsidiaries and joint ventures, upon formation of Millicom, were not recorded at the contributing shareholders' carryover basis under IFRS. Rather, the value of such properties was stepped-up to reflect their fair value. The incremental value recorded for these properties was recorded as an intangible asset, attributable to licenses, for \$58,628,000. Following the adoption of International Accounting Standard No. 38 (IAS 38), *Intangible Assets* on January 1, 2000, the step-up in value of the properties has been amortized through the profit and loss account. The amount of amortization expense related to these intangible assets recorded for IFRS for the year ended December 31, 2004 was \$2,108,000 (2003: \$2,273,000; 2002: \$2,273,000). Under U.S. GAAP, the contributed properties would have been recorded at the contributing shareholders' carryover basis, thus no intangible asset and no amortization expense would have been recorded. Accordingly, this adjustment reverses the amortization expense recorded for IFRS, and the stepped-up value recorded in the balance sheet.
5. Under U.S. GAAP, the accounting treatment of the Vietnam option described in Note 10 of the consolidated financial statements is as follows: the written call option giving the holder the right to acquire from the Company shares in the Company's Vietnamese subsidiary was recorded at inception as a liability at its fair value, with subsequent book value losses of the option being recorded in the profit and loss account to reflect any loss that the Company would realize upon the exercise of the option.

During 2002, the holder of the Vietnamese call option exercised his right to acquire an additional 10% of the shares of the Company's operation in Vietnam. The resulting adjustments to reconcile the IFRS accounts, as described in Note 10, and the U.S. GAAP accounts are as follows: (i) a decrease of \$16,817,000 to the accumulated losses brought forward, corresponding to the difference, as at January 1, 2002, between the fair value and book value losses on the written call option, (ii) an increase of \$295,000 to the net loss for 2002 due to the excess of the option's book value losses over the fair value of the option, recorded for IFRS, and (iii) a reversal of the gain realized on the sale of 10% of the subsidiary of \$16,522,000 for IFRS, to reflect a gain of \$nil for U.S. GAAP.

No adjustment related to the above mentioned option has been recorded in 2004 and 2003 since this option was exercised in 2002. Also, no adjustment related to the options in Colombia, Iran, Philippines and Ghana has been recorded since their IFRS accounting treatment is consistent with the U.S. GAAP treatment.

6. As described in Note 17(e), the Company has granted stock options to the President and Chief Executive Officer (the "CEO") of the Company and certain employees in Millicom International B.V. Under IFRS, no compensation expense is recorded for stock based compensation described in Note 17(e) of the consolidated financial statements (See Note 2(x) for a discussion of IFRS 2)

Under U.S. GAAP, the Company accounts for stock compensation granted to the CEO and the employees of Millicom International B.V. under Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees*. Because either the exercise price or the number of shares granted under the option plans is not known at the grant date, compensation expense for this plan under APB 25 is recalculated, based on the intrinsic value of this stock based compensation, at each balance sheet date. Recalculated compensation expense is recognized over the vesting period. Such a plan is referred to as a "variable plan". Additionally, the Company grants stock options on Millicom's shares to employees and directors for a fixed number of shares with a fixed exercise price. The grant date intrinsic value of such options is amortized over the vesting periods of the options. Such a plan is referred to as a "fixed plan". Because the exercise price of such options granted by the Company equals or exceeds their fair market value at the date of the grant, the options have no or negative intrinsic value. Accordingly, no compensation expense has been originally recorded for the Company's fixed plans.

However, on May 6, 2004, the Board of Directors approved an acceleration of the vesting periods for certain outstanding options at that date. In accordance with the FASB Interpretation ("FIN 44") *Accounting for Certain Transactions Involving Stock Compensation*, Millicom computed a compensation cost corresponding to the intrinsic value of those outstanding options on May 6, 2004 in excess of the original intrinsic value of \$nil at grant date and, only for options that would have been forfeited had the vesting period not been accelerated, recognize this amount over the revised vesting period. The cost recognized for the year ended December 31, 2004 amounts to \$1,885,000.

The impact of the above options is an additional expense of \$1,256,000 for U.S. GAAP purposes (2003: expense of \$1,157,000; 2002: income of \$1,308,000).

7. On January 1, 2004, Millicom adopted Emerging Issues Task Force Issue 00-21 ("EITF 00-21"), *Accounting for Revenue Arrangements with Multiple Deliverables*. The Issue addresses a vendor's accounting for transactions involving the delivery of more than one product or service, and when it is necessary to separate the transaction into individual component deliverables, each with its own separate earnings process. If the conditions requiring separate revenue recognition exist, revenues are allocated among the different deliverables based on their relative fair values (the relative fair value of each of the component deliverables to the aggregated fair value of the bundled deliverables), with revenues for each component deliverable recognized when the revenues are realized and earned.

Under U.S. GAAP, Millicom applies the guidance in Staff Accounting Bulletin No. 101 (SAB 101), *Revenue recognition in Financial Statements*, and Staff Accounting Bulletin No. 104 (SAB 104), *Revenue recognition*. Under this guidance, the Company evaluates each element of a customer arrangement to determine the appropriate period for recognition of revenues. Revenues on connection fees and direct incremental costs associated with such fees are deferred and amortized over the estimated customer relationship period. In 2003, management changed its estimate of the life of such relationship from one to 2 years and applied this change prospectively.

The impact of adopting EITF 00-21 compared to the revenues recognized under IFRS, for the year ended December 31, 2004, corresponds to a decrease in revenues of \$258,000.

The adjustment to defer revenues under U.S. GAAP on connection fees that do not form part of a multiple deliverables arrangement, net of revenues recognized which were deferred in a prior period, results in a decrease in revenues for the year ended December 31, 2004 of \$3,484,000 (2003: decrease of \$3,184,000; 2002: decrease of \$145,000) and the adjustment to

defer incremental cost of sales on connection fees for U.S. GAAP, net of cost of sales recognized which was deferred in a prior period, results in a decrease in cost of sales for the year ended December 31, 2004 of \$1,512,000 (2003: decrease of \$878,000; 2002: increase of \$192,000) resulting in a net decrease of \$1,972,000 in the Company's net profit under IFRS in 2004 (2003: net decrease of \$2,306,000 of the net profit; 2002: net increase of \$337,000 of the net loss).

Under U.S. GAAP, customer acquisition costs including dealer commissions and handset subsidies are recorded as cost of sales. Under IFRS these are classified as sales and marketing expenses. For the year ended December 31, 2004 an amount of \$83,606,000 was reclassified from sales and marketing to cost of sales (2003: \$34,361,000; 2002: \$22,268,000).

In addition, Millicom decreased the profit from equity investees under U.S. GAAP by \$17,000 for the year ended December 31, 2004 (2003: decrease of \$688,000; 2002: \$nil) to reflect the application of EITF 00-21 and SAB 104 and/or SAB 101 to its equity investments.

These adjustments led to an adjustment to taxation of \$288,000 (2003 and 2002: nil) and a decrease in minority interest's share of profit of \$463,000 (2003 and 2002: nil) resulting in a total net decrease in profit under U.S. GAAP for 2004 of \$1,496,000 (2003: \$2,994,000, 2002: \$337,000)

8. Under Statement of Financial Accounting Standard No. 144 (SFAS 144), *Accounting for the Impairment or Disposal of Long Lived Assets*, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, i.e. a triggering event occurs, the book value of this asset is compared to the undiscounted cash flows forecast from the asset. If the undiscounted cash flows forecast to be generated from the asset is less than the asset's book value, the carrying value of the asset is regarded as not recoverable. When such a determination is made, impairment is measured as the excess of the carrying value above the asset's fair value, typically determined by a discounted cash flows projection of the asset.

As of December 31, 2002, analogue assets belonging to Millicom's Colombian operation, which were impaired under IFRS in 2000 but not under U.S. GAAP, were deemed to be impaired in connection with the Colombian operation being classified as a discontinued operation, as described in U.S. GAAP item 14 hereafter. Accordingly, the assets' increased net value under U.S. GAAP of \$2,571,000, after incremental depreciation expense for the year of \$936,000, has been charged to the profit and loss of the year as an additional impairment.

Under IFRS, as at December 31, 2002, the Company recorded an impairment charge of \$2,234,000 on the license value of its operation in Peru. This impairment was measured as the difference between the recoverable amount of the asset, which was determined by reference to the discounted cash flows projected to be generated from this asset, and its carrying value at the measurement date. Since the recoverable amount of the license, determined by reference to an undiscounted cash flow model, as required by SFAS 144, was higher than its carrying value, the impairment recorded under IFRS has been reversed for U.S. GAAP purposes. In 2003, the amount of \$2,234,000 was charged to the profit and loss account under U.S. GAAP as (i) incremental depreciation charge of \$223,000 and (ii) an additional impairment charge of \$2,011,000 in connection with the Peruvian operation being classified as a discontinued operation, as described in U.S. GAAP item 14 hereafter.



During 2003, under IFRS, Millicom reversed part of an impairment recorded in 2000 on analogue equipment belonging to its Bolivian operation, for an amount of \$1,579,000, due to a change in the underlying assumptions to determine the recoverable amount of these assets. Under U.S. GAAP, such reversal is not allowed. Accordingly, the increase in value for the Bolivian equipment has been reversed for U.S. GAAP purposes. In 2004, the cost of sales under U.S. GAAP was decreased by (i) \$526,000 corresponding to the reversal of the incremental depreciation charge for these assets recorded under IFRS and (ii) an additional impairment charge of \$287,000 recorded under IFRS, which is reversed under U.S. GAAP as it was already recognized in 2000.

In 2004, under IFRS, Millicom recorded an impairment charge of \$5,058,000 on the value of its analogue equipment in Pakistan. This impairment was measured as the difference between the recoverable amount of the asset, which was determined by reference to the discounted cash flows projected to be generated from this asset, and its carrying value at the measurement date. Since the recoverable amount of the analogue equipment, determined by reference to an undiscounted cash flow model, as required by SFAS 144, was higher than its carrying value, the impairment recorded under IFRS in cost of sales has been reversed for U.S. GAAP purposes.

Summarized below are the adjustments to the Company's IFRS profit and loss that have been made due to the application of SFAS 144:

	2004	2003	2002
	US\$ '000	US\$ '000	US\$ '000
Adjustments to impairment / (reversal of impairment) recorded for IFRS	5,345	(1,579)	2,234
Additional impairment for U.S. GAAP	–	(2,011)	(2,571)
Reversal of/ (Incremental) depreciation charge	526	(223)	(936)
Total adjustment to profit/(loss) in year	5,871(a)	(3,813)	(1,273)

(a) This adjustments leads to an additional tax charge of \$1,938,000 and an increase in minority interest's share of profit of \$807,000 resulting in a net increase to the profit of \$3,127,000 under U.S. GAAP for 2004.

9. Under IFRS, the Company records its 10% Senior Notes and the debt component of its 5% Mandatory Exchangeable Notes net of un-amortized financing fees incurred to acquire these debts. Under U.S. GAAP, these financing fees are capitalized as a deferred charge. The amount that is reclassified as an asset in the balance sheet as at December 31, 2004, is \$19,005,000 (2003: \$22,907,000), comprised of \$13,371,000 for the 10% Senior Notes (2003: \$13,964,000) and \$5,634,000 for the 5% Mandatory Exchangeable Notes (2003: \$8,943,000).
10. In accordance with Statement of Financial Accounting Standard No. 142 (SFAS 142), *Goodwill and Other Intangible Assets*, Millicom ceased amortization of existing goodwill on December 31, 2001 and for the year ended December 31, 2004 reversed \$8,242,000 (2003: \$6,695,00; 2002: \$7,865,000) of amortization on goodwill charged under IFRS. This reversal is recorded in the caption "Other operating expenses".

In accordance with Statement of Financial Accounting Standard No. 141 (SFAS 141), *Business Combinations*, negative goodwill in the amount of \$9,336,000 as of December 31, 2001, has been written-off as a cumulative effect of change in accounting principle in the first quarter of 2002, upon adoption of SFAS 141. In 2004, under IFRS, Millicom generated \$3,660,000 negative goodwill on its acquisition of 25% of Millicom Tanzania Limited in February 2004. For U.S. GAAP purposes this amount has been reassigned on a pro rata basis to all acquired





assets, except some assets as specified in SFAS 141. For the year ended December 31, 2004 cost of sales under U.S. GAAP were decreased by \$1,117,000 as a reversal of the incremental depreciation charge recorded for IFRS at the same balance sheet date.

SFAS 142 also establishes a method of testing goodwill for impairment on an annual basis or on an interim basis if an event occurs or circumstances change that would reduce the fair value of a reporting unit below its carrying value. The annual goodwill impairment test performed by Millicom on December 31, 2004, 2003 and 2002 resulted in an impairment loss under U.S. GAAP of \$16,534,000, \$nil and \$3,136,000, respectively. The loss, which is recorded in the caption "Other operating expenses", relates in 2004 to Pakcom Limited, one of Millicom's businesses in Pakistan and in 2002 to Millicom's operation in Colombia.

11. During 2002, Millicom purchased part of its Senior Subordinated 13.5% Notes (Note 18) at market prices for an amount of \$44,000,000, realizing a gain of \$28,676,000. Following the adoption on January 1, 2003 of Statement of Financial Accounting Standard No. 145 (SFAS 145), Rescission of FASB Statement No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, Millicom reclassified this gain from extraordinary gains, as previously reported, to ordinary gains.
12. Under both IFRS and U.S. GAAP, Millicom holds shares in Tele2 as available-for-sale ("AFS") securities. Following the change in accounting policy with respect to the fair value adjustments of AFS securities under IFRS in 2003, which is detailed in Note 2, Millicom recorded the fair value adjustments of its investment in Tele2 in the profit and loss account as from January 1, 2003. Under U.S. GAAP these fair value adjustments should be recorded in shareholders' equity within the caption "Revaluation Reserve". Accordingly, under U.S. GAAP, Millicom reclassified an unrealized loss of \$127,158,000 for the year ended December 31, 2004 (2003: reclassification of a net unrealized gain of \$241,163,000) to shareholders' equity.

As of December 31, 2001, Millicom determined that its investment in Tele2 was impaired under U.S. GAAP, but not under IFRS and, accordingly recorded an impairment charge for U.S. GAAP of \$61,325,000. As of December 31, 2002 Millicom determined that the shares were also impaired under IFRS. Accordingly, in 2002, for U.S. GAAP, Millicom reversed part of the impairment charge recorded under IFRS, for an amount of \$61,325,000, since this amount was reported in accumulated losses brought forward under U.S. GAAP.

13. The adjustments for the years ended December 31, 2004 and 2003 to reconcile U.S. GAAP to the IFRS accounting treatment of the debt exchange that Millicom completed in May 2003 (see Note 18b) are as follows:
  - (i) in 2003 a reclassification of \$14,952,000 from the equity component of the 2% PIK Notes to share premium to recognize a beneficial conversion feature ("BCF") of \$14,952,000 and a reclassification of \$1,295,000 from the equity component to the debt component of the 2% PIK Notes, under U.S. GAAP,
  - (ii) an amortization charge of the BCF of \$10,695,000 for 2004 and \$4,257,000 for 2003,
  - (iii) a decrease in the interest on the 2% PIK Notes of \$1,217,000 in 2004 and \$4,579,000 in 2003 recorded under IFRS to reflect the difference between the effective interest rate of 11% recorded for IFRS and the actual interest rate of 2% recorded for U.S. GAAP,
  - (iv) in 2003 an increase of \$16,002,000 in the gain of \$96,748,000 realized under IFRS on the debt exchange, corresponding to the reclassification to deferred costs of the fees related to the issuance of the 11% Senior Notes and 2% PIK Notes (under IFRS these fees are



not considered to be related to the new Notes issued, rather they are deducted from the gain realized on the debt exchange), and

- (v) an amortization expense of \$1,276,000 in 2004 and \$14,726,000 in 2003 of the deferred costs recognized under (iv).

Summarized below are the adjustments to the profit for 2004 and 2003 related to the debt exchange for U.S. GAAP purposes:

	Adjustments to profit for the year ended December 31, 2004 US\$ '000	Adjustments to profit for the year ended December 31, 2003 US\$ '000
Amortization of BCF on the 2% PIK Notes(ii)	(10,695)	(4,257)
Adjustment to interest expenses on the 2% PIK Notes(iii)	1,217	4,579
Increase in gain realized on the debt exchange(iv)	–	16,002
Amortization of incremental deferred costs(v)	(1,276)	(14,726)
	<u>(10,754)</u>	<u>1,598</u>

14. *Discontinued operations*—As at December 31, 2004 and 2003, Millicom classified its investment in its Peruvian subsidiary as an asset held for sale in accordance with SFAS 144, following a decision to sell this operation and the status of the negotiations with potential buyers. Due to unforeseen liquidity problems of the initial potential buyer, the subsidiary was not sold in the one-year period following the initial decision to classify the operation as an asset held for sale. During this initial one-year period Millicom initiated actions necessary to respond to this change in circumstances and Management pursued actively marketing the sale of its Peruvian operation. As of December 31, 2004 negotiations with a new potential buyer were well advanced and the parties have subsequently signed a non-binding agreement. Millicom is now finalizing the terms and conditions of the share purchase agreement with the identified buyer and expects the sale to be completed soon. In addition, upon adoption of FIN 46, as of March 31, 2004 Millicom classified its investment in its Argentinean operation, which had previously been recorded as an equity investment under U.S. GAAP, as an asset held for sale in accordance with Statement of Financial Accounting Standards No 144 (SFAS 144) prior to the divestiture on September 22, 2004. For U.S. GAAP purposes, Millicom recorded an adjustment of \$5,019,000 to the loss recorded under IFRS on this disposal. Finally, as of December 31, 2004, Great Universal also held an investment classified as held for sale in accordance with SFAS 144. Therefore Millicom disclosed all assets and liabilities of these operations separately in the balance sheet reconciliations. Millicom's interests in Celcaribe, MIC Systems (including MACH) and Liberty Broadband Ltd are reported as a discontinuing operation since these operations have been sold in 2003 and 2002.

Presented below is an analysis of profit (loss) from discontinued operations:

**Net profit (loss) from component qualifying as discontinued operations:**

	Year ended December 31,			Segment in which reported
	2004	2003	2002	
	US\$ '000	US\$ '000	US\$ '000	
Loss from discontinued operations, net of taxes				
Colombian operations	–	(2,116)	(63,484)	Central America
Peruvian operations	(113)	(5,642)	(3,847)	Other
MIC Systems	–	–	12,599	MIC Systems
Liberty Broadband Ltd	–	–	(24,939)	Other
Argentinean operations	(1,940)	–	–	Other
Net loss from discontinued operations, excluding Great Universal and Modern Holdings	(2,053)	(7,758)	(79,671)	
Certain operations held by Great Universal and Modern Holdings	(24)	3,458	2,658	See item 15
Profit (loss) from discontinued operations(b)	(2,077)	(4,300)	(77,013)	
Gain on disposal, net of taxes(a)	2,812	5,882	80,945	
Profit from discontinued operations	735	1,582	3,932	

(a) The tax impact of these items is \$nil (2003: \$nil, 2002: \$nil)

(b) Excluding gain (loss) on disposal

The table below provides information about revenues, cost of sales, operating expenses, operating profit and net loss under U.S. GAAP for the year ended December 31, 2003 and 2002 from continuing operations excluding the discontinued operations above:

	December 31, 2003 US\$ '000	December 31, 2002 US\$ '000
Revenues from continuing operations	425,241	331,007
Cost of sales from continuing operations	(176,605)	(137,772)
Operating expenses from continuing operations	(147,232)	(167,534)
Operating profit from continuing operations	101,404	25,701
Net loss reported from continuing operations	(47,910)	(327,959)

15. Under International Accounting Standards No 27 ("IAS 27") prior to its revision, *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*, a subsidiary should be excluded from consolidation if it operates under severe long-term restrictions that significantly impair its ability to transfer funds to the parent. In addition, Standing Interpretations Committee (SIC) No. 33 states that potential voting rights that are presently exercisable or presently convertible must be considered when, in substance, they provide the capability to exercise control. Under IFRS, Millicom does not consolidate its investment in Great Universal ("GU") and Modern Holdings ("Modern") since the restrictions on their ability to distribute

dividends is considered a severe long-term restriction that significantly impairs their ability to transfer funds to Millicom. Further, the warrants, which enable the holder to obtain 100% of GU and 53% of Modern, are presently exercisable and provide the capability, to the warrant holder, to control GU and Modern.

Prior to the adoption of FIN 46 on March 31, 2004 (as it relates to entities created prior to February 1, 2003), under U.S. GAAP an entity should consolidate all enterprises in which it has a controlling financial interest. The usual condition for a controlling financial interest is ownership of a majority of the outstanding voting shares. Accordingly, absent of a reason that GU and Modern should not be consolidated, they should be consolidated. The restrictions on the ability of GU and Modern to distribute dividends would not preclude consolidation under U.S. GAAP and potential voting rights are generally not considered in determining whether an entity should be consolidated. Therefore, under U.S. GAAP, both GU and Modern are consolidated.

In a separate table at the bottom of the U.S. GAAP reconciliation of profit (loss) and of the U.S. GAAP balance sheet reconciliation, certain financial information on GU and Modern are disclosed. In prior years, these amounts were not included within the primary net income reconciliation from IFRS to US GAAP, rather they were included separately within the US GAAP note in a table disclosing selected financial results of the two entities.

In this 20F, these amounts have been reflected within the primary net income reconciliation from IFRS to US GAAP for the readers convenience.

16. In December, 2004 the FASB issued Statement 123 (revised 2004) ("SFAS 123(R)", "Share-Based Payment." Statement 123(R) replaces FASB Statement 123, "Accounting for Stock-Based Compensation", supersedes APB Opinion 25, "Accounting for Stock Issued to Employees" and amends FASB Statement No. 95, "Statement of Cash Flows." SFAS 123(R) requires all share-based awards to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant-date fair values. The related compensation costs are to be recognized over the period during which an employee is required to provide service in exchange for the award. Excess tax benefits are to be recognized as an addition to paid-in capital and reflected as financing cash inflows in the statement of cash flows. We will adopt the prospective provisions of SFAS 123(R) to new and existing plans as of January 1, 2006. The grant-date fair values of unvested awards that are outstanding on the date of adoption will be charged to expense over their remaining vesting periods. We are currently assessing the impact that the implementation of SFAS 123(R) will have on our consolidated financial position or results of operations.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement 153 ("SFAS 153"), "Exchanges of Nonmonetary Assets—an amendment of APB Opinion 29." The guidance in Accounting Principles Board Opinion 29 ("APBO 29"), "Accounting for Nonmonetary Transactions," is based on the general principle that exchanges of non-monetary assets should be measured based on the fair value of the assets exchanged. The guidance in APBO 29 included certain exceptions to that principle. SFAS 153 amends APBO 29 to eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance (that is, transactions where future cash flows are not expected to significantly change as a result of the exchange). We will adopt the provisions of SFAS 153 for non-monetary asset exchange transactions after December 31, 2005. We do not expect the adoption of SFAS 153 to have a material impact on our consolidated financial position or results of operations.

In March 2004, the EITF reached a consensus on EITF Issue 03-1 ("EITF 03-1"), "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." EITF 03-1 addresses the meaning of other-than-temporary impairment and its application to investments in debt and equity securities accounted for under Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for certain Investments in Debt and Equity

Securities," and to investments in equity securities accounted for using the cost method, as well as new disclosure requirements for investments that are deemed to be temporarily impaired. EITF 03-1 currently provides a multi-step model for determining whether an impairment of an investment is other-than-temporary, and requires that an impairment charge be recognized in earnings in the period in which an other-than-temporary impairment has occurred based on the difference between the adjusted cost basis of the investment and its fair value at the balance-sheet date. EITF 03-1 requires certain quantitative and qualitative disclosures about unrealized losses pertaining to certain investments and beneficial interests, in addition to certain disclosures about cost method investments when the fair value of such investments is not currently estimable. While the disclosure requirements for specified debt and equity securities and cost method investments are effective for annual periods ending after December 15, 2003, the FASB has delayed the effective date for the application of multi-step measurement and recognition guidance until issuance of implementation guidance contained in FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.'" Since we have recorded a significant impairment on our Tele2 shares as of December 31, 2002, the current cost of these securities is significantly lower than their market value, therefore we do not expect the adoption of EITF No. 03-1 to have a material impact on our consolidated financial position or results of operations.

*Reconciliation of statement of profit and loss for the year ended December 31, 2004 and reconciliation of net profit for the years ended December 31, 2004, 2003 and 2002 are presented on the following pages:*

The above items give rise to the following differences in the statement of profit and loss for the year ended December 31, 2004 recorded under U.S. GAAP:

Year ended December 31, 2004	Item	Per Profit and Loss Group	Consolidation of VIEs and Proportional Consolidation Adjustment(a) (Item 1)	Other Adjustments	Discontinued operations (Item 14)	Under U.S. GAAP Group
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Revenues	7	921,466	98,573	(3,742)	(6,520)	1,009,777
Cost of sales	7, 8, 10	(388,334)	(48,886)	(75,105)	3,277	(509,048)
<b>Gross profit</b>		533,132	49,687	(78,847)	(3,243)	500,729
Sales and marketing	7	(122,705)	(15,897)	83,606	1,059	(53,937)
General and administrative expenses	4, 6	(127,400)	(24,406)	852	2,491	(148,463)
Gain (loss) from sale of subsidiaries and joint ventures, net	14	(2,207)	–	5,019	(2,812)	–
Other operating expenses	10	(35,225)	(7,725)	(8,292)	–	(51,242)
Other operating income		3,287	1,260	–	–	4,547
<b>Operating profit</b>		248,882	2,919	2,338	(2,505)	251,634
Valuation movement on investment in securities	12	(126,957)	–	127,158	–	201
Fair value result on financial instruments		148,816	–	–	–	148,816
Profit from associates	2, 7	814	28,712	4	–	29,530
Interest expense	13	(108,534)	(1,501)	(10,754)	1,282	(119,507)
Interest income		7,706	2,010	–	(9)	9,707
Exchange loss, net		(26,796)	(443)	–	946	(26,293)
<b>Profit before taxes and minority interest</b>		143,931	31,697	118,746	(286)	294,088
Charge for taxes	7, 8	(58,900)	978	(1,650)	(449)	(60,021)
<b>Profit before minority interest</b>		85,031	32,675	117,096	(735)	234,067
Minority interest	7, 8	(16,790)	(31,662)	(344)	–	(48,796)
<b>Profit from continuing operations before cumulative effect of change in accounting principle</b>		68,241	1,013	116,752	(735)	185,271
Profit from discontinued operations, net of tax	14	–	–	–	735	735
<b>Profit before cumulative effects of changes in accounting principles</b>		68,241	1,013	116,752	–	186,006



Cumulative effect of change in accounting principle	1	–	33	2,832	–	2,865
<b>Net profit for the year</b>		68,241	1,046	119,584	–	188,871

- a.** this column includes only the IFRS amounts applicable; U.S. GAAP adjustments related to these amounts are included in succeeding columns.

The above items give rise to the following differences in net profit (loss) for the years ended December 31, 2004, 2003 and 2002 recorded under U.S. GAAP:

	<b>Item</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
		<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>	<b>U.S.\$ '000</b>
Net profit (loss) for the period reported under IFRS		68,241	178,823	(385,143)
<b>Items increasing(decreasing) reported profit (loss):</b>				
Consolidation of GU and Modern	1, 15	1,013	4,603	(1,630)
Application of equity method of accounting	2	21	(1,052)	(4,221)
Application of equity method of accounting for Telemovil El Salvador	3	–	5,830	7,887
Adjustments to initial step-up in the value of licenses	4	2,108	2,273	2,273
Valuation of Vietnam option	5	–	–	(16,817)
Compensation cost for stock options granted to employees	6	(1,256)	(1,157)	1,308
Adjustments to connection revenues and connection costs, net of tax	7	(1,496)	(2,994)	(337)
Adjustments to impairment of intangible assets	8	3,127	(3,813)	(1,273)
Reversal of goodwill amortization	10	8,242	6,695	7,865
Additional goodwill impairment	10	(16,534)	–	(3,136)
Reversal of incremental depreciation charge	10	1,117	–	–
Reclassification to shareholders' equity of fair value adjustments on available-for-sale securities	12	127,158	(241,163)	–
Impairment of securities, other than temporary	12	–	–	61,325
Adjustments related to debt exchange	13	(10,754)	1,598	–
Disposal of Millicom Argentina	14	5,019	–	–
		<hr/>	<hr/>	<hr/>
Profit (loss) after taxes before cumulative effect of change in accounting principle		186,006	(50,357)	(331,899)
Cumulative effect of change in accounting principle	1, 10	2,865	–	9,336
		<hr/>	<hr/>	<hr/>
<b>Net profit (loss) under U.S. GAAP</b>		<b>188,871</b>	<b>(50,357)</b>	<b>(322,563)</b>
		<hr/>	<hr/>	<hr/>
<b>Presented as:</b>				
Net profit (loss) from continuing operations		185,271	(51,939)	(335,831)
Discontinued operations:	14			
Loss from discontinued operations, net of taxes(a)		(2,077)	(4,300)	(77,013)
Gain on disposal, net of taxes(a)		2,812	5,882	80,945
		<hr/>	<hr/>	<hr/>
Profit from discontinued operations		735	1,582	3,932
		<hr/>	<hr/>	<hr/>
Profit (loss) after taxes, before cumulative effect of change in accounting principle under U.S. GAAP		186,006	(50,357)	(331,899)
Cumulative effect of change in accounting principle		2,865	–	9,336
		<hr/>	<hr/>	<hr/>
<b>Net profit (loss) under U.S.GAAP</b>		<b>188,871</b>	<b>(50,357)</b>	<b>(322,563)</b>
		<hr/>	<hr/>	<hr/>

(a) The tax impact of these items is \$nil



**Basic profit (loss) per common share**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Profit (loss) per common share under U.S. GAAP:			
–from continuing operations	\$ 2.22	\$ (0.79)	\$ (5.14)
–from discontinuing operations	\$ 0.01	\$ 0.02	\$ 0.06
Profit (loss) per common share after taxes, before cumulative effect of change in accounting principle	\$ 2.23	\$ (0.77)	\$ (5.08)
Impact of cumulative effect of change in accounting principle	\$ 0.04	–	\$ 0.14
Basic profit (loss) per common share under U.S. GAAP	\$ 2.27	\$ (0.77)	\$ (4.94)
Weighted average number of shares outstanding in the period (in '000)	83,335	65,312	65,272

**Diluted profit (loss) per common share**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Profit (loss) per common share under U.S. GAAP:			
–from continuing operations	\$ 2.05	\$ (0.79)	\$ (5.14)
–from discontinuing operations	\$ 0.01	\$ 0.02	\$ 0.06
Profit (loss) per common share after taxes, before cumulative effect of change in accounting principle	\$ 2.06	\$ (0.77)	\$ (5.08)
Impact of cumulative effect of change in accounting principle	\$ 0.03	–	\$ 0.14
Diluted profit (loss) per common share under U.S. GAAP	\$ 2.09	\$ (0.77)	\$ (4.94)
Weighted average number of shares and potential dilutive shares outstanding during the year (in '000)	90,312	65,312	65,272

As explained in U.S. GAAP adjustment item No. 15, above, both Great Universal ("GU") and Modern Holdings ("Modern") are consolidated under U.S. GAAP. Presented in the table below are the main line items of GU and Modern consolidated profit and loss statements from continuing operations:

	<u>2003</u>	<u>2002</u>
	US\$ '000	US\$ '000
Revenues	36,865	32,912
Cost of sales	(21,236)	(21,664)
Operating expenses	(15,178)	(23,906)
Operating profit (loss)	451	(12,658)
Net loss from continuing operations	(4,029)	(7,872)
Net profit (loss)	<u>4,603</u>	<u>(1,630)</u>

- (1) Certain income items previously included in operating expenses in 2002 have been reclassified to non operating income and have no effect on net loss.

The following disposals by GU and Modern have been classified as discontinued operations and have been excluded from continuing operations in the table above:

In 2003, GU disposed of its interest in Miltope, Inc. for net proceeds of \$21,180,000, realizing a gain on disposal of \$6,181,000.

In 2003, Modern disposed of its interests in Praesidium and Ephibian realizing net losses on disposal of \$130,000 and \$877,000, respectively.

In 2002, GU disposed of its interest in Transcom USA realizing a net loss of \$1,390,000 on disposal.

In 2002, Modern disposed of its interests in Procure-it-right, Proceedo and Lothar realizing a net aggregate gain of \$4,974,000 on disposal.

# Balance Sheet Reconciliation:

The following significant balance sheet differences arise under U.S. GAAP as of December 31, 2004:

<b>Balance sheet as of December 31, 2004</b>	<b>Item</b>	<b>Per Balance Sheet Group</b>	<b>Consolidation of VIEs and Proportional Consolidation Adjustments(a)</b>	<b>Other Adjustments</b>	<b>Held for sale assets and liabilities (Item 14)</b>	<b>Under U.S. GAAP Group</b>
		<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Assets</b>						
<b>Non-Current Assets</b>						
<b>Intangible assets</b>						
Goodwill, net	3, 10	37,702	12,293	34,914	–	84,909
Licenses, net	4	277,705	4,349	(5,523)	(174)	276,357
Other intangibles net	9	2,561	(308)	19,005	(27)	21,231
Property, plant and equipment, net	8, 10	575,649	43,823	1,783	(1,469)	619,786
<b>Financial assets</b>						
Investment in Tele2 AB shares		351,882	–	–	–	351,882
Investment in other securities		10,540	(2,111)	–	–	8,429
Investments in associates	7	2,220	42,492	(66)	–	44,646
Embedded Derivative on the 5% Mandatory Exchangeable Notes		45,255	–	–	–	45,255
Pledged deposits		25,544	488	–	(24)	26,008
Deferred taxation(b)		5,883	2,857	(274)	(972)	7,494
<b>Total Non-Current Assets</b>		<b>1,334,941</b>	<b>103,883</b>	<b>49,839</b>	<b>(2,666)</b>	<b>1,485,997</b>
<b>Current Assets</b>						
<b>Financial assets</b>						
Investment in other securities		15,327	–	–	–	15,327
Inventories		16,304	1,028	–	(42)	17,290
Trade receivable, net		141,972	14,001	–	(80)	155,893
Amounts due from joint ventures and joint venture partners		11,715	(11,715)	–	–	–
Amounts due from other related parties		2,067	630	–	(3)	2,694
Prepayments and accrued income	7	36,875	7,528	4,431	(354)	48,480
Other current assets(b)		62,377	7,960	274	–	70,611
Pledged deposits		9,260	–	–	–	9,260
Time deposits		610	–	–	(610)	–
Cash and cash equivalents		413,381	14,873	–	(178)	428,076
<b>Total Current Assets</b>		<b>709,888</b>	<b>34,305</b>	<b>4,705</b>	<b>(1,267)</b>	<b>747,631</b>
<b>Total assets from disposal group classified as held for sale</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>3,933</b>	<b>3,933</b>
<b>Total Assets</b>		<b>2,044,829</b>	<b>138,188</b>	<b>54,544</b>	<b>–</b>	<b>2,237,561</b>
<b>Shareholders' Equity and Liabilities</b>						

**Shareholders' equity**

Share capital and premium	4, 6, 13	513,782	–	(41,467)	–	472,315
Treasury stock		(8,833)	–	–	–	(8,833)
Legal reserve		13,577	–	–	–	13,577
Accumulated losses brought forward		(276,608)	(5,129)	(168,346)	–	(450,083)
Net profit for the year		68,241	1,046	119,584	–	188,871
Currency translation reserve		(71,116)	1,528	–	–	(69,588)
Deferred compensation costs	6	–	–	(194)	–	(194)
Revaluation reserve	12	–	–	114,005	–	114,005

**Total Shareholders' Equity**

		239,043	(2,555)	23,582	–	260,070
Minority Interest	7, 8	43,351	60,800	(553)	–	103,598

**Liabilities****Non-current liabilities**

10% Senior Notes	9	536,629	–	13,371	–	550,000
5% Mandatory Exchangeable Notes–debt component	9	365,006	–	5,634	–	370,640
Other debt and financing		124,267	18,125	–	–	142,392
Other non current liabilities		194,774	(111)	–	–	194,663
Deferred taxation(b)	7, 8	39,216	1,956	(1,997)	–	39,175
		1,259,892	19,970	17,008	–	1,296,870

**Current liabilities**

Other debt and financing		88,511	8,275	–	–	96,786
Trade payables		173,969	12,116	–	(968)	185,117
Amount due to joint ventures		7,760	1,355	–	–	9,115
Amounts due to other related parties		975	326	–	(5)	1,296
Accrued interest and other expenses	7	55,203	22,253	11,942	(88)	89,310
Other current liabilities(b)	8	176,125	15,648	2,565	(249)	194,089
		502,543	59,973	14,507	(1,310)	575,713

**Total Liabilities**

		1,762,435	79,943	31,515	(1,310)	1,872,583
Total liabilities from disposal group classified as held for sale		–	–	–	1,310	1,310

**Total Shareholders' Equity and Liabilities**

		2,044,829	138,188	54,544	–	2,237,561
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(a) this column includes only the IFRS amounts applicable; U.S. GAAP adjustments related to these amounts are included in succeeding columns.

(b) Under IFRS all deferred tax assets and liabilities are classified as non-current. Under U.S. GAAP deferred tax assets and liabilities are classified as either current or non-current based on the classification of the related asset or liability. Accordingly, as of December 31, 2004, Millicom reclassified \$274,000 from non-current deferred tax assets to current deferred tax assets and \$627,000 from non-current deferred tax liabilities to current deferred tax liabilities.





The following significant balance sheet differences arise under U.S. GAAP as of December 31, 2003:

<b>Balance sheet as of December 31, 2003</b>	<b>Item</b>	<b>Per Balance Sheet Group</b>	<b>Proportional Consolidation Adjustments(a) and consolidation of GU and Modern (Item 1)</b>	<b>Other Adjustments</b>	<b>Held for sale assets and liabilities (Item 14)</b>	<b>Under U.S. GAAP Group</b>
		US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Assets</b>						
<b>Non-Current Assets</b>						
<b>Intangible assets</b>						
Goodwill, net	3, 10	49,578	10,661	40,365	–	100,604
Licenses, net	4	30,889	(8,372)	(7,872)	(210)	14,435
Other intangibles net	9, 13	3,351	(372)	24,183	(51)	27,111
Property, plant and equipment, net	8	489,543	(126,751)	(1,579)	(1,848)	359,365
<b>Financial assets</b>						
Investment in Tele2 AB shares		479,040	–	–	–	479,040
Investment in other securities		25,397	768	–	–	26,165
Investments in associates	7	1,340	96,075	(688)	–	96,727
Pledged deposits		23,785	(1,460)	–	(28)	22,297
Deferred taxation		5,226	(1,100)	–	(370)	3,756
Total Non-Current Assets		1,108,149	(30,551)	54,409	(2,507)	1,129,500
<b>Current Assets</b>						
<b>Financial assets</b>						
Investment in other securities		15,291	–	–	–	15,291
Inventories		10,941	(3,823)	–	(35)	7,083
Trade receivable, net		113,750	(29,012)	–	(705)	84,033
Amounts due from joint ventures and joint venture partners		13,137	3	–	–	13,140
Amounts due from other related parties		2,905	3,665	–	–	6,570
Prepayments and accrued income	7	19,739	(4,131)	2,207	(297)	17,518
Other current assets		49,583	(6,152)	–	(116)	43,315
Pledged deposits		7,745	–	–	–	7,745
Time deposits		32,880	–	–	(598)	32,282
Cash and cash equivalents		148,829	(577)	–	(356)	147,896
Total Current Assets		414,800	(40,027)	2,207	(2,107)	374,873
Total assets from disposal group classified as held for sale		–	–	–	4,614	4,614
Total Assets		1,522,949	(70,578)	56,616	–	1,508,987
<b>Shareholders' Equity and Liabilities</b>						
<b>Shareholders' equity</b>						
Share capital and premium	4, 6, 13	239,876	–	(36,018)	–	203,858
Treasury stock		(8,833)	–	–	–	(8,833)

2% PIK notes–equity component	13	16,006	–	(16,006)	–	–
Legal reserve		4,256	–	–	–	4,256
Accumulated losses brought forward		(446,110)	(15,389)	71,093	–	(390,406)
Net profit/(loss) for the year		178,823	3,551	(232,731)	–	(50,357)
Currency translation reserve		(69,198)	2,660	–	–	(66,538)
Deferred compensation costs	6	–	–	(1,344)	–	(1,344)
Revaluation reserve	12	–	–	241,163	–	241,163
<b>Total Shareholders' Equity</b>		<b>(85,180)</b>	<b>(9,178)</b>	<b>26,157</b>	<b>–</b>	<b>(68,201)</b>
Minority Interest		26,571	1,299	–	–	27,870
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
10% Senior Notes	9	536,036	–	13,964	–	550,000
2% PIK Notes–debt component	13	50,923	–	973	–	51,896
5% Mandatory Exchangeable Notes–debt component	9	327,635	–	8,943	–	336,578
Embedded derivative on the 5% Mandatory Exchangeable Notes		103,457	–	–	–	103,457
Other debt and financing		126,150	(20,294)	–	–	105,856
Deferred taxation and other non current liabilities		38,006	(12,465)	(253)	–	1,173,075
		<b>1,182,207</b>	<b>(32,759)</b>	<b>23,627</b>	<b>–</b>	<b>1,173,075</b>
<b>Current liabilities</b>						
Other debt and financing		132,664	7,341	–	(75)	139,930
Trade payables		107,424	(37,409)	–	(959)	69,056
Amount due to joint ventures		5,340	4,186	–	–	9,526
Amounts due to other related parties		608	267	–	(5)	870
Accrued interest and other expenses	7	44,673	9,742	6,579	(363)	60,631
Other current liabilities	8	108,642	(14,067)	253	(420)	94,408
		<b>399,351</b>	<b>(29,940)</b>	<b>6,832</b>	<b>(1,822)</b>	<b>374,421</b>
<b>Total Liabilities</b>		<b>1,581,558</b>	<b>(62,699)</b>	<b>30,459</b>	<b>(1,822)</b>	<b>1,547,496</b>
Total liabilities from disposal group classified as held for sale		–	–	–	1,822	1,822
<b>Total Shareholders' Equity and Liabilities</b>		<b>1,522,949</b>	<b>(70,578)</b>	<b>56,616</b>	<b>–</b>	<b>1,508,987</b>

(a) this column includes only the IFRS amounts applicable; US GAAP adjustments related to these amounts are included in succeeding columns

As explained in adjustment item No. 15, under U.S. GAAP, both Great Universal ("GU") and Modern Holdings ("Modern") are consolidated under U.S. GAAP. Presented in the table below are the main line items of GU and Modern's consolidated balance sheets as of December 31, 2003.

	<u>2003</u> US\$ '000
Total assets	48,061
Total shareholders' equity	(2,195)

*Comprehensive Income:*

The Company's statement of comprehensive income under U.S. GAAP for the years ended December 31, 2004, 2003 and 2002 is as follows:

	<u>2004</u> U.S.\$ '000	<u>2003</u> U.S.\$ '000	<u>2002</u> U.S.\$ '000
Net profit (loss) under U.S. GAAP	188,871	(50,357)	(322,563)
Other comprehensive income (loss):			
Holding (loss) gain excluding effect of sale of marketable securities sold during the year, net of tax(a)	(127,158)	241,163	(37,422)
Holding gain (loss) for securities sold during the year, net of tax(a)	201	5,597	(131,396)
Reclassification adjustment for gain realized on sale of marketable securities, net of tax(a)	(201)	(5,597)	168,818
Currency translation reserve	(3,050)	14,923	(37,263)
Other comprehensive (loss) income	(130,208)	256,086	(37,263)
Comprehensive income under U.S. GAAP	58,663	205,729	(359,826)

(a) The tax impact on these items is \$nil (2003: \$nil; 2002: \$nil)

*Additional Stock Option Disclosure:*

As described above, under U.S. GAAP, the Company accounts for stock options under APB25 (see item 6). Had compensation costs been determined in accordance with SFAS 123, the Company's net income and loss per share would have been adjusted to the following pro forma amounts:

	<u>2004</u> U.S.\$ '000	<u>2003</u> U.S.\$ '000	<u>2002</u> U.S.\$ '000
Net profit (loss), as reported	188,871	(50,357)	(322,563)
Add: total stock-based employee compensation expense determined under APB 25 for all awards, net of related tax effects	1,256	1,157	(1,308)
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(2,039)	(2,579)	2,586

Pro forma net profit (loss)	188,088	(51,779)	(321,285)
Profit (loss) per share:			
As reported (basic)–\$	2.27	(0.77)	(4.94)
As reported (diluted)–\$	2.09	(0.77)	(4.94)
Pro forma (basic)–\$	2.26	(0.79)	(4.92)
Pro forma (diluted)–\$	2.08	(0.79)	(4.92)

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The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rates of 2.53% (2003: 4.4%; 2002: 4.4%), expected lives ranging from 1 to 3.5 years, no dividends and expected volatility of 47.1% (2003: 114.9%; 2002: 58.4%).

### **33. SUBSEQUENT EVENTS**

In January 2005 Millicom issued an aggregate principal amount of \$200 million of 4% Convertible Bonds due 2010 convertible into Ordinary Shares and/or SDRs. The net proceeds of the offering were paid and settled on January 7, 2005 in the amount of \$195,875,000.

On March 2, 2005 the registration statement of the 10% Senior Notes (see Note 18d) was declared effective and the special interest charge ceased to accrue.

On March 30, 2005, following approval by Congress, the license of Celtel in Honduras was renewed until 2021.

On April 18, 2005 Pakcom reached agreement with the Pakistan Telecommunications Authority (PTA) for the renewal of its license for 15 years. The payment terms are similar to the terms agreed in 2004 by Paktel, Millicom's other subsidiary in Pakistan. Pakcom will pay a license fee of \$291 million, with 50% payable over three years and the remaining 50% payable over the following ten years. The company paid the first down payment for the license today. Pakcom is still in negotiations with the PTA with regard to the allocation of spectrum.

In Vietnam the negotiations on the continuation of the cooperation have not yet led to an agreement between the parties. The negotiations on the creation of a Joint Stock Company, as agreed between the parties by signing two Memoranda of Understanding in 2004, are continuing. The Government of Vietnam has agreed to equitize VMS, our partner under the current BCC. This is the first equitization of a major telecommunication company in Vietnam which explains why at present, no information is available as to the process of this equitization. It is unlikely that this process will have started by the end of the BCC on May 18 and without agreement between the parties at that date, Millicom will no longer be able to consolidate the Vietnam numbers and will have no more revenues from its Vietnam operations after that date. An impairment charge of \$16.6 million has been recorded in the first quarter of 2005 in the consolidated Group accounts to account for the write-down of property, plant and equipment in Vietnam as the BCC expires on May 18, 2005. The Vietnam asset impairment is due to a late approval of investments required under the BCC which prevented CIV from generating revenues of these fixed assets.

## SIGNATURES

Under the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 2, 2005

MILLICOM INTERNATIONAL CELLULAR S.A.

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By: Name: Marc Beuls  
Title: *Chief Executive Officer*

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By: Name: Bruno Nieuwland  
Title: *Chief Financial Controller*

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## EXHIBIT INDEX

Exhibit No.	Description
1.1	Articles of Association of Millicom International Cellular S.A.
2.1	Trust Deed, dated January 7, 2005 between Millicom International Cellular S.A. and The Bank of New York, as Trustee.
2.2	Trust Deed, dated August 7, 2003 between Millicom Telecommunications S.A., Millicom International Cellular S.A. and Deutsche Trustee Company Limited.*
2.3	Indenture, dated as of November 24, 2003 between Millicom International Cellular S.A. and The Bank of New York, as Trustee, as amended (incorporated by reference to Exhibits 4.1 and 4.3 of the Company's registration statement on Form F-4 (File No. 333-112948) filed on February 19, 2004 and January 13, 2005, respectively).
4.1	Business Co-Operation Contract dated June 2, 1994, as amended, among Vietnam Mobile Services Co., Industriforvaltnings AB Kinnevik and Comvik International Vietnam AB.**
7.1	Explanation of the calculation of (loss) earnings per share.*
12.1	Certification of Marc Beuls required by Securities Exchange Act of 1934, as amended ("Exchange Act"), Rule 13a-14(a).
12.2	Certification of Bruno Nieuwland required by Exchange Act Rule 13a-14(a).
12.3	Certification of Judy Tan required by Exchange Act Rule 13a-14(a).
13.1	Certification of Marc Beuls, Bruno Nieuwland and Judy Tan required by Exchange Act Rule 13a-14(b).
14.1	Consent of PricewaterhouseCoopers S. à r. l. to the incorporation by reference of their report dated May 2, 2005 in the Company's Registration Statement on Form F-3 (No. 333-111779).

\* Previously filed with the Securities and Exchange Commission with the Company's Form 20-F filed on April 30, 2004 and herein incorporated by reference.

\*\* Previously filed with the Securities and Exchange Commission on the Company's Form 20-F/A filed on January 13, 2005 and herein incorporated by reference.

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## CHAPTER I.- FORM, NAME, REGISTERED OFFICE, OBJECT, DURATION.

### Article 1. Form, Name.

There is hereby established among the subscribers and all those who may become owners of the shares hereafter created a Company in the form of a société anonyme which will be governed by the laws of the Grand Duchy of Luxembourg ("Luxembourg") and by the present Articles as may be amended from time to time.

The Company will exist under the name of "MILLICOM INTERNATIONAL CELLULAR S.A.".

### Article 2. Registered Office.

The Company will have its registered office in Bertrange (Luxembourg).

The registered office may be transferred to any other place within Luxembourg by a resolution of the board of directors.

In the event the board of directors determine that extraordinary political, economic or social developments have occurred or are imminent that would interfere with the normal activities of the Company at its registered office or with the ease of communications with such office or between such office and persons abroad, the registered office may be temporarily transferred abroad until the complete cessation of these abnormal circumstances. Such temporary measures will have no effect on the nationality of the Company, which, notwithstanding the temporary transfer of the registered office, will remain a Luxembourg Company. Such temporary measures will be taken and notified to any interested parties by one of the bodies or persons entrusted with the daily management of the Company.

### Article 3. Purposes.

The purposes for which the Company is formed are to engage in all transactions pertaining directly or indirectly to the acquisition of participating interests in any business enterprise, including but not limited to, the administration, management, control and development of any such enterprise, and to engage in all other transactions in which a company created under the laws of Luxembourg may engage.

### Article 4. Duration.

The Company is formed for an unlimited duration.

## CHAPTER II.- CAPITAL, SHARES.

Article 5. Corporate Capital. (2§, 8.10.1999; 2§, 19.12.2002; 1§, 2§, 17.02.2003; 27.05.2003, 2§, 17.10.2003, 2§, 16.12.2003, 2§, 30.04.2004, 2§, 28.07.2004, 2§, 16.12.2004; 2§, 14.04.2005)

The Company has an authorised capital of one hundred ninety-nine million nine hundred ninety-nine thousand eight hundred United States Dollars (USD 199,999,800.-) divided into one hundred thirty-three million three hundred thirty three thousand two hundred (133,333,200) shares with a par value of one point fifty United States Dollars (USD 1.50).

The Company has an issued capital of one hundred and forty-nine million forty-two thousand six hundred and twenty-two United States Dollars (USD 149,042,622.-) represented by ninety-nine million three hundred and sixty-one thousand seven hundred and forty-eight (99,361,748) shares of the Company, having a par value of one point fifty United States Dollars (USD 1.50) per share, fully paid-in.

The capital of the Company may be increased or reduced by a resolution of the shareholders adopted in the manner required by the laws of Luxembourg for amendment of these Articles of Incorporation.

The board of directors is authorized and empowered to:

- realize any increase of the corporate capital within the limits of the authorized capital in one or several successive tranches, by the issuing of new shares, against payment in cash or in kind, by conversion of claims or in any other manner,
- determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and
- remove or limit the preferential subscription right of the shareholders in case of issue of shares against payment in cash.

This authorization is valid for a period of 5 (five) years from the date of publication of the present deed and it may be renewed by a general meeting of shareholders for those shares of the authorized corporate capital which up to then will not have been issued by the board of directors.

Following each increase of the corporate capital realized and duly stated in the form provided for by law, the second paragraph of this article 5 will be modified so as to reflect the actual increase; such modification will be recorded in authentic form by the board of directors or by any person duly authorized and empowered by it for this purpose.

#### Article 6. Shares.

The shares will be in the form of registered shares.

Every holder of shares shall be entitled, without payment, to receive one registered certificate for all such shares or to receive several certificates for one or more of such shares upon payment for every certificate after the first of such

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reasonable out-of-pocket expenses as the board of directors may from time to time determine. A registered holder who has transferred part of the shares comprised in his registered holding shall be entitled to a certificate for the balance without charge.

Share certificates shall be signed by two directors. But such signatures may be either manual, or printed, or by facsimile. The Company may issue temporary share certificates in such form as the board of directors may from time to time determine.

Shares of the Company shall be registered in the register of shareholders which shall be kept by the Company or by one or more persons designated therefor by the Company; such register shall contain the name of each holder, his residence or elected domicile and the number of shares held by him. Every transfer and devolution of a share shall be entered in the register of shareholders.

Subject to the provisions of Article 7, the shares shall be freely transferable.

Transfer of shares shall be effected by delivering the certificate or certificates representing the same to the Company along with an instrument of transfer satisfactory to the Company or by written declaration of transfer inscribed in the register of shareholders, dated and signed by the transferor, or by persons holding suitable powers of attorney to act therefor.

Every shareholder must provide the Company with an address to which all notices and announcements from the Company may be sent. Such address will also be entered in the register of shareholders.

In the event that such shareholder does not provide such an address, the Company may permit a notice to this effect to be entered in the register of shareholders and the shareholder's address will be deemed to be at the registered office of the Company, or such other address

as may be so entered by the Company from time to time, until another address shall be provided to the Company by such shareholder. The shareholder may, at any time, change his address as entered in the register of shareholders by means of a written notification to the Company at its registered office, or at such other address as may be set by the Company from time to time and notice thereof given to the shareholders.

The Company will recognise only one holder of a share of the Company. In the event of joint ownership, the Company may suspend the exercise of any right deriving from the relevant share until one person shall have been designated to represent the joint owners vis-a-vis the Company.

If any shareholder can prove to the satisfaction of the Company that his

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share certificate has been mislaid, lost, stolen or destroyed, then, at his request, a duplicate certificate may be issued under such conditions as the Company may determine subject to applicable provisions of law.

Mutilated share certificates may be exchanged for new ones on the request of any shareholder. The mutilated certificates shall be delivered to the Company and shall be annulled immediately.

The Company may repurchase its own shares. A shareholder wishing to have all or part of his shares repurchased shall notify the Board of Directors in writing (“the Repurchase Request”) specifying the number of shares that he wishes to have repurchased. The Board shall at its own discretion decide if the Company shall repurchase the shares offered for repurchase within thirty (30) days from receipt of the Repurchase Request notifying the requesting shareholder of its decision and, if applicable, the price which the Board of Directors determines to be “the fair market value” as of the last day of the calendar quarter immediately preceding the date of the Repurchase Request. The Board of Directors may at its discretion decide to have the fair market value determined by an appraisal carried out by an internationally recognized investment bank.

The requesting shareholder shall within fifteen (15) days from reception of the Company’s response to the Repurchase Request notify the Board of Directors if the shareholder wishes to proceed with the repurchase at the price determined by the Board of Directors. If the shareholder wishes to proceed with the repurchase the shareholder must, together with a written notice to this effect, deliver to the Company at its registered office any share certificate, if issued, evidencing ownership of the shares to be repurchased, duly endorsed for transfer to the Company.

The repurchase shall be deemed to have been effected on the date on which the Company shall have received the notice and certificate(s), if applicable, (“the Repurchase Date”). All shares repurchased by the Company shall no longer be deemed to be outstanding and any rights with respect to such shares, other than the right to receive the repurchase price thereon, shall cease to exist. The Company shall pay to the shareholder the repurchase price for the shares offered for repurchase within thirty (30) days after the Repurchase Date.

For the purpose of this Article, the repurchase price shall be the price determined by the board of directors as a “fair market value”. The fair market value of the shares tendered for repurchase may at the discretion of the board of directors be determined by an independent appraisal as of the last day of the calendar quarter of the Company immediately preceding the Repurchase Date, which appraisal shall be carried out by an internationally recognized investment

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bank mutually agreed by the board of directors and the shareholder. The determination of the investment bank shall be final and binding on both parties, provided, however, that the shareholder may, in his sole discretion, cancel the exercise of the repurchase if the repurchase price so determined is unacceptable to the shareholder for any reason.

### **CHAPTER III.- BOARD OF DIRECTORS, STATUTORY AUDITORS.**

#### Article 7. Board of Directors.

The Company will be administered by a board of directors composed of at least 6 (six) members. Members of the board of directors need not be shareholders of the Company.

The directors will be elected by the shareholders' meeting, which will determine their number, for a period not exceeding 6 (six) years, and they will hold office until their successors are elected. They are re-eligible, but they may be removed at any time, with or without cause, by a resolution of the shareholders' meeting.

In the event of a vacancy on the board of directors, the remaining directors may meet and may elect by majority vote a director to fill such vacancy until the next meeting of shareholders.

#### Article 8. Meetings of the Board of Directors.

The board of directors will choose from among its members a chairman. It may also choose a secretary, who need not be a director, who will be responsible for keeping the minutes of the meetings of the board of directors and of the shareholders.

The board of directors will meet upon call by the chairman. A meeting of the board must be convened if any two directors so require.

The chairman will preside at all meetings of shareholders and of the board of directors, but in his absence the general meeting or the board will appoint another person as chairman pro tempore by vote of the majority present at such meeting.

Except in cases of urgency or with the prior consent of all those entitled to attend, at least 3 (three) days' written notice of board meetings shall be given. Any such notice shall specify the time and place of the meeting and the nature of the business to be transacted.

The notice may be waived by the consent in writing or by telefax, cable, telegram or telex of each director. No separate notice is required for meetings held at times and places specified in a schedule previously adopted by resolution of the board of directors.

Every board meeting shall be held in Luxembourg or at such other place as the board may from time to time determine.

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Any director may act at any meeting of the board of directors by appointing in writing or by telefax, cable, telegram or telex another director as his proxy.

A quorum of the board shall be the presence of 4 (four) of the directors holding office.

Decisions will be taken by the affirmative votes of a simple majority of the directors present or represented.

In case of urgency, a written decision, signed by all the directors, is proper and valid as though it had been adopted at a meeting of the board of directors which was duly convened and held. Such a decision can be documented in a single document or in several separate documents having the same content.

One or more members of the board may participate in a meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at the meeting.

#### Article 9. Minutes of meetings of the Board of Directors.

The minutes of any meeting of the board of directors will be signed by the chairman of the meeting. Any proxies will remain attached thereto.

Copies or extracts of such minutes which may be produced in judicial proceedings or otherwise will be signed by the chairman or by any two members of the board of directors.

#### Article 10. Powers of the Board of Directors.

The board of directors is vested with the broadest powers to perform all acts necessary or useful for accomplishing the corporate object of the Company. All powers not expressly reserved by law or by the present articles to the general meeting of shareholders are in the competence of the board of directors.

#### Article 11. Delegation of Powers.

The board of directors may delegate the daily management of the Company and the representation of the Company within such daily management to one or more directors, officers, executives, employees or other persons who may but need not be shareholders, or delegate special powers or proxies, or entrust determined permanent or temporary functions to persons or agents chosen by it.

Delegation of daily management to a member of the board is subject to previous authorisation by the general meeting of shareholders.

#### Article 12. Directors' Remuneration.

Each of the directors will be entitled to fees for acting as such at such

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rate as may from time to time be determined by resolution of the general meeting of shareholders. Any director to whom is delegated daily management or who otherwise holds executive office will also be entitled to receive such remuneration (whether by way of salary, participation in profits or otherwise and including pension salary and including pension contributions) as the board of directors may from time to time decide.

#### Article 13. Conflict of Interests.(3§, 14.09.2004)

No contract or other transaction between the Company and any other company or firm shall be affected or invalidated by the fact that any one or more of the directors or officers of the Company has a personal interest in, or is a director, associate, officer or employee of such other company or firm. Subject to the following provisions of this Article, any director or officer of the Company who serves as a director, associate, officer or employee of any company or firm with which the Company shall contract or otherwise engage in business shall not, by reason of such affiliation with such other company or firm, be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

In the event that any director or officer of the Company may have any personal interest in any transaction of the Company, he shall make known to the board such personal interest and shall not consider or vote on any such transaction, and such transaction and such director's or officer's interest therein shall be reported to the next general meeting of shareholders.

The Company shall indemnify any director or officer and his/her heirs, executors and administrators for any damages, compensations and costs to be paid by him/her and any expenses reasonably incurred by him/her as a consequence of, or in connection with any action, suit or proceeding to which he/she may be a party by reason of him/her being or having been a director or officer of the Company, or, at the request of the Company, of any other company of which the Company is a shareholder or creditor, except in relation to matters as to which he/she shall be finally judged in such action, suit or proceeding to be liable for gross negligence or wilful misconduct; in the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Company is advised by its legal counsel that the person to be indemnified did not commit such breach of duty. The foregoing right of indemnification shall not exclude other rights to which he/she may be entitled

#### Article 14. Representation of the Company.

The Company will be bound towards third parties by the joint signatures of any two directors or by the individual signature of the person to whom the

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daily management of the Company has been delegated, within such daily management, or by the joint signatures or single signature of any persons to whom such signatory power has been delegated by the board, but only within the limits of such power.

#### Article 15. Auditors.

The supervision of the operations of the Company is entrusted to one or more auditors who need not be shareholders.

The auditors will be elected by the shareholders' meeting by a simple majority of the votes present or represented at such meeting, which will determine their number, for a period not exceeding (6) six years. They will hold office until their successors are elected. They are re-eligible, but they may be removed at any time, with or without cause, by a resolution adopted by a simple majority of the shareholders present or represented at a meeting of shareholders.

### **CHAPTER IV.- MEETINGS OF SHAREHOLDERS.**

#### Article 16. Powers of the meeting of shareholders.

Any regularly constituted meeting of shareholders of the Company represents the entire body of shareholders. It has the powers conferred upon it by law.

#### Article 17.

The board of directors will determine in the convening notice the formalities to be observed by each shareholder for admission to a general meeting of the shareholders.

#### Article 18. Annual General Meeting.

The annual general meeting will be held in the Grand-Duchy of Luxembourg, at the registered office of the Company or at such other place as may be specified in the notice convening the meeting on the last Tuesday of May of each year, at 4.00 p.m., and for the first time in 1993. If such day is a public holiday, the meeting will be held on the next following business day.

#### Article 19. Other General Meetings.

The board of directors may convene other general meetings. Such meetings must be convened if shareholders representing at least 1/5 (one fifth) of the Company's capital so require.

Shareholders' meetings, including the annual general meeting, may be held abroad if, in the judgment of the board of directors, which is final, circumstances of force majeure so require.

#### Article 20. Procedure, Vote.

Shareholders will meet upon call by the board of directors or the auditor or the auditors made in the forms provided for by law. The notice will contain the agenda of the meeting.

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If all the shareholders are present or represented at a shareholders' meeting and if they state that they have been informed of the agenda of the meeting, the meeting may be held without prior notice.

A shareholder may act at any meeting of the shareholders by appointing as his proxy by instrument in writing or by telefax, cable, telegram or telex another person who need not be a shareholder.

The board of directors may determine all other conditions that must be fulfilled in order to take part in a shareholders' meeting.

The shareholders of the Company shall be entitled at each meeting of the shareholders to one vote for every share.

Except as otherwise required by law, a simple majority of the votes present or represented at a general meeting is needed to adopt a resolution.

Except as otherwise required by these statutes or by law, a majority of three quarters (3/4) of the votes present or represented at a meeting of the shareholders shall be necessary to authorize any corporate action to be taken by vote of the shareholders, PROVIDED, however, that in addition a quorum of presence of two-thirds (2/3) of the holder of the issued shares of the Company shall be required to approve the following proposed actions: (i) to amend these articles concerning the purpose and form of the Company, (ii) to liquidate or dissolve the Company, (iii) to merge or consolidate the Company with any other entity or (iv) to sell shares in an initial Public Offering. Unless required by these statutes or determined by the chairman of the meeting to be advisable, the vote any question other than the election of directors need not be by ballot, provided that each shareholder is entitled to request a vote by secret ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting, or by proxy, if there be such proxy, and shall state the number of shares held.

“Public Offering” means the sale to the public of the Company's voting stock, if, immediately following such sale, such voting stock is quoted on a recognized securities exchange or traded over-the-counter, and the shares sold to the public have a market value (based on the closing price on the date of commencement of such trading) in excess of U.S.\$ 5,000,000.- (five million United States Dollars).

Copies or extracts of the minutes of the meeting to be produced in judicial proceedings or otherwise will be signed by the chairman or by any two members of the board of directors.

## **CHAPTER V. FINANCIAL YEAR, DISTRIBUTION OF PROFITS.**

### Article 21. Financial Year.

The Company's financial year begins on the first day of January and ends on the last day of December in every year, except that the first financial

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year will begin on the date of formation of the Company and will end on the last day of December 1992.

The board of directors shall prepare annual accounts in accordance with the requirements of Luxembourg law and accounting practice.

### Article 22. Appropriation of Profits.

From the annual net profits of the Company, five per cent (5%) shall be allocated to the reserve required by law. That allocation will cease to be required as soon and for as long as such reserve amounts to ten per cent (10%) of the aggregate par value of the issued capital of the Company.

Upon recommendation of the board of directors, the general meeting of shareholders determines how the remainder of the annual net profits will be disposed of. It may decide to allocate the whole or part of the remainder to a reserve or to a provision reserve, to carry it forward to the next following financial year or to distribute it to the shareholders as dividend.

Subject to the conditions fixed by law, the board of directors may pay out an advance payment on dividends. The board fixes the amount and the date of payment of any such advance payment.

Dividends may also be paid out of unappropriated net profit brought forward from prior years. Dividends shall be paid in United States Dollars or by free allotment of shares of the Company or otherwise in specie as the directors may determine, and may be paid at such times as may be determined by the board of directors. Payment of dividends shall be made to holders of shares at their addresses in the register of shareholders. No interest shall be due against the Company on dividends declared but unclaimed.

Shareholders are entitled to share in the profits of the Company pro rata to the paid up par value of their shareholding.

## **CHAPTER VI.- DISSOLUTION, LIQUIDATION.**

### Article 23. Dissolution. Liquidation.

The Company may be dissolved by a decision taken in a meeting of shareholders resolving at the same conditions as to quorum of presence and majority as those imposed by Article 20.

Should the Company be dissolved, the liquidation will be carried out by one or more liquidators appointed by the general meeting of shareholders, which will determine their powers and their compensation.

The shares carry a right to a repayment (from the assets available for distribution to shareholders) of the nominal capital paid up in respect of such shares and the right to share in surplus assets on a winding up of the Company pro rata to the par value paid up on such shares.

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CONFORMED COPY

Dated 7 January 2005

**MILlicom INTERNATIONAL CELLULAR S.A.**

and

**THE BANK OF NEW YORK****TRUST DEED**

constituting  
 U.S.\$200,000,000 4.00 per cent. Convertible Bonds due 2010  
 convertible into  
 Ordinary Shares in the form of Ordinary Shares or Swedish Depositary Receipts  
 of  
 Millicom International Cellular S.A.

**Linklaters**

Ref: KJT/EXM

**This Trust Deed** is made on 7 January 2005 **between:**

- (1) **MILlicom INTERNATIONAL CELLULAR S.A.** (the “**Issuer**”), registered in the Grand Duchy of Luxembourg with the Luxembourg trade and companies register under registration number B.40.630, whose registered office is at 75, route de Longwy, L-8080 Bertrange, Luxembourg; and
- (2) **THE BANK OF NEW YORK** acting through its office at One Canada Square, London E14 5AL, United Kingdom (the “**Trustee**”, which expression shall, where the context so admits, include all persons for the time being the trustee or trustees of this Trust Deed).

**Whereas:**

- (A) The Issuer has by a resolution of its Board of Directors passed on 28 November 2004 authorised the issue of U.S.\$200,000,000 4.00 per cent. Convertible Bonds due 2010 (which includes U.S.\$25,000,000 in aggregate principal amount issued pursuant to the Option described below) to be constituted by this Trust Deed.
- (B) The Trustee has agreed to act as trustee of this Trust Deed on the following terms and conditions.

**Now this Deed witnesses** and it is hereby agreed and declared as follows:**1 Interpretation**

## 1.1 Definitions

Expressions defined in the Conditions (as defined below), unless otherwise defined in the body of this Trust Deed, have the meaning given to them in the Conditions. In addition, the following expressions shall have the following meanings:

“**Agents**” means, in relation to the Bonds, the Paying, Transfer and Conversion Agents and the Registrar and, in relation to any Further Bonds, means any agent appointed in relation to them;

“**Auditors**” means the auditors for the time being of the Issuer or, if they are unable or unwilling to carry out any action requested of them under this Trust Deed or the Bonds, such other firm of accountants selected by the Issuer and approved in writing by the Trustee for the purpose;

“**Bondholder**” and (in relation to a Bond) “**holder**” means a person in whose name a Bond is registered in the register of Bondholders;

“**Bonds**” means the Original Bonds and/or as the context may require any Further Bonds, except that, in Schedules 1 and 2, “**Bonds**” means the Original Bonds;

“**Clearstream, Luxembourg**” means Clearstream Banking, société anonyme;

“**Closing Date**” means 7 January 2005;

“**Conditions**” means, in relation to the Original Bonds, the terms and conditions set out in Schedule 4 and, with respect to any Further Bonds, the terms and conditions set out in a schedule to the supplemental trust deed constituting such Further Bonds as any of the same may from time to time be modified in accordance with the provisions thereof and/or of this Trust Deed, and references in this Trust Deed to a particular numbered Condition shall, in relation to the Original Bonds, be construed accordingly and shall, in relation to

any Further Bonds, be construed as a reference to the provision (if any) in the Conditions thereof which corresponds to the particular Condition of the Original Bonds;

“**Depository**” means Fischer Partners Fondkommission AB as Swedish depository under the Swedish Deposit Agreement, or the successor from time to time in such capacity;

“**Euroclear**” means Euroclear Bank S.A./N.V., as operator of the Euroclear system;

“**Event of Default**” means any of the events described in Condition 10;

“**Extraordinary Resolution**” has the meaning set out in paragraph 21 of Schedule 3;

“**Further Bonds**” means any further bonds, notes or debentures issued in accordance with the provisions of Clause 5 and constituted by a deed supplemental to this Trust Deed;

“**Global Bond**” means the Original Global Bond and/or as the context may require any other global bond representing Further Bonds or any of them;

“**Morgan Stanley**” means Morgan Stanley & Co. International Limited;

“**Officer**” means any of the President, Chief Executive Officer and the Chief Financial Controller of the Issuer;

**“Option”** means the option granted by the Issuer to Morgan Stanley in the Subscription Agreement to require the issue of the Optional Bonds, which was exercised on 2 December 2004;

**“Optional Bonds”** means the U.S.\$25,000,000 in aggregate principal amount of the Bonds issued pursuant to the exercise of the Option;

**“Ordinary Shares”** means fully paid shares of common stock of the capital of the Issuer currently with a par value of U.S.\$1.50 each;

**“Original Bonds”** means the 4.00 per cent. Convertible Bonds due 2010 (which includes the Optional Bonds) constituted by this Trust Deed and for the time being outstanding (being on the date hereof U.S.\$200,000,000 in principal amount) or, as the context may require, a specific number of them and includes any replacement Bonds issued pursuant to Condition 13 and (except for the purposes of Clauses 3.1, 3.2 and 3.3) the Original Global Bond;

**“Original Bondholders”** means the holders for the time being of Original Bonds;

**“outstanding”** means, in relation to the Bonds, all the Bonds issued other than (a) those which have been redeemed, (b) those in respect of which Conversion Rights have been exercised and the Issuer’s obligations in relation thereto have been duly performed, (c) those in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest accrued on such Bonds to the date for such redemption and any interest payable under Condition 5 after such date) have been duly paid to the relevant Bondholder or on its behalf or to the Trustee or to the Principal Paying, Transfer and Conversion Agent as provided in Clause 2 and remain available for payment against presentation and surrender of Bonds, (d) those which have become void or those in respect of which claims have become prescribed under Condition 12, (e) those mutilated or defaced Bonds which have been surrendered in exchange for replacement Bonds pursuant to Condition 13, (f) (for the purpose only of determining how many Bonds are outstanding and without prejudice to their status for any other purpose) those Bonds alleged to have been lost, stolen or destroyed and in respect of which

replacement Bonds have been issued pursuant to Condition 13, (g) those which have been purchased and cancelled as provided in the Conditions, (h) the Global Bond to the extent that it shall have been exchanged for definitive registered Bonds pursuant to its provisions; provided that for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Bondholders, (ii) the determination of how many Bonds are outstanding for the purposes of Conditions 7, 10, 14 and 15 and Schedule 3, (iii) the exercise of any discretion, power or authority which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Bondholders and (iv) the certification (where relevant) by the Trustee as to whether a Potential Event of Default is in its opinion materially prejudicial to the Bondholders, those Bonds (if any) which are beneficially held by, or are held on behalf of the Issuer or any of its Subsidiaries and not yet cancelled shall be deemed not to remain outstanding;

**“Paying, Transfer and Conversion Agency Agreement”** means the Paying, Transfer and Conversion Agency Agreement dated 7 January 2005, as amended from time to time, between the Issuer, the Trustee, the Paying, Transfer and Conversion Agents and the Registrar whereby the initial Paying, Transfer and Conversion Agents and the Registrar were appointed in relation to the Original Bonds together with any agreement for the time being in force amending or modifying with the approval of the Trustee the aforesaid agreement;

**“Paying, Transfer and Conversion Agents”** means in relation to the Original Bonds the banks referred to as such in the Conditions (including the Principal Paying, Transfer and Conversion Agent in respect of the Original Bonds) and, in relation to any Further Bonds, the Paying, Transfer and Conversion Agent appointed in respect of such Further Bonds and in each case any Successor Paying, Transfer and Conversion Agent;

**“Potential Event of Default”** means an event or circumstance which could, with the giving of notice, lapse of time, issue of a certificate and/or the fulfilment of any other requirement provided for in Condition 10, become an Event of Default;

**“Principal Paying, Transfer and Conversion Agent”** means The Bank of New York, at its specified office, in its capacity as Principal Paying, Transfer and Conversion Agent (in respect of the Original Bonds) and, in relation to any Further Bonds, the Paying, Transfer and Conversion Agent appointed in respect of such Further Bonds and in each case any Successor Principal Paying, Transfer and Conversion Agent;

**“Registrar”** means in relation to the Original Bonds, The Bank of New York, at its specified office or any successor Registrar appointed under the Paying, Transfer and Conversion Agency Agreement and, in relation to any Further Bonds which are or may be in registered form, such institution as shall be appointed Registrar for such Further Bonds;

**“SDRs”** means Swedish Depositary Receipts representing Ordinary Shares issued by the Depositary pursuant to the Swedish Deposit Agreement;

**“Securities Act”** means the U.S. Securities Act of 1933, as amended;

**“specified office”** means, in relation to any Agent, either the office identified with its name at the end of the Conditions or any other office approved by the Trustee and notified to the Bondholders pursuant to Clause 9.10 and Condition 17;

**“Subscription Agreement”** means the Agreement dated 1 December 2004 between the Issuer and Morgan Stanley relating to the issue and subscription of the Bonds;

**“Successor”** means, in relation to the Agents, such other or further person as may from time to time be appointed by the Issuer as an Agent with the written approval of, and on terms approved in writing by, the Trustee and notice of whose appointment is given to Bondholders pursuant to Clause 9.10 and Condition 17;

**“Swedish Deposit Agreement”** means the Swedish Deposit Agreement dated 5 March 2004 between the Issuer and the Depositary as the same may be amended, varied or supplemented, and as amended and restated from time to time;

**“this Trust Deed”** means this Trust Deed, and any other document executed in accordance with this Trust Deed (as from time to time so altered) and expressed to be supplemental to this Trust Deed; and

**“trust corporation”** means a trust corporation (as defined in the Law of Property Act 1925) or a corporation entitled to act as a trustee pursuant to applicable foreign legislation relating to trustees.

## 1.2 Construction of Certain References

References to:

- 1.2.1 costs, charges, remuneration or expenses shall include any amount in respect of value added tax, turnover tax or similar tax charged in respect thereof;
- 1.2.2 **“U.S. dollars”** and **“U.S.\$”** are references to the lawful currency for the time being of the United States of America;
- 1.2.3 any action, remedy or method of judicial proceedings for the enforcement of rights of creditors shall include, in respect of any jurisdiction other than England and Wales, references to such action, remedy or method of judicial proceedings for the enforcement of rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate thereto and any other similar, analogous or corresponding event under the insolvency laws of any applicable jurisdiction;
- 1.2.4 words denoting the singular number only shall include the plural number also and vice versa;
- 1.2.5 words denoting one gender only shall include the other gender;
- 1.2.6 words denoting persons only shall include firms and corporations and vice versa;

- 1.2.7** any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment;
- 1.2.8** a bank or an investment bank may include Morgan Stanley; and
- 1.2.9** “**approval not to be unreasonably withheld or delayed**” or like references mean, in relation to the Trustee, that, in determining whether to give such approval, the Trustee shall have regard to the interests of the Bondholders only and any determination as to whether or not its approval is unreasonably withheld or delayed shall be made on that basis.

## **1.3 Headings**

Headings shall be ignored in construing this Trust Deed.

## **1.4 Schedules**

The Schedules as from time to time altered in accordance with this Trust Deed are part of this Trust Deed and shall have effect accordingly.

## **1.5 Enforceability**

If at any time any provision of this Trust Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Trust Deed nor the legality, invalidity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

## **2 Amount of the Bonds and Covenant to Pay**

### **2.1 Amount of the Bonds**

The aggregate principal amount of the Bonds is limited to U.S.\$200,000,000 (including the Optional Bonds).

### **2.2 Covenant to Pay**

The Issuer covenants with the Trustee that it will, on any date when the Original Bonds or any of them become due to be redeemed in accordance with this Trust Deed or the Conditions, unconditionally pay to or to the order of the Trustee in U.S. dollars in New York City in same day funds the principal amount of the Original Bonds becoming due for redemption on that date (together with interest, if any, in accordance with the Conditions) and will (subject to the Conditions) until such payment (both before and after judgment) unconditionally pay to or to the order of the Trustee as aforesaid interest on the aggregate principal amount of the Original Bonds outstanding as set out in Condition 5 provided that (1) every payment of any sum due in respect of the Original Bonds made to or to the account of the Principal Paying, Transfer and Conversion Agent as provided in the Paying, Transfer and Conversion Agency Agreement shall, to such extent, satisfy such obligation except to the extent that there is failure in its subsequent payment to the relevant Original Bondholders and (2) in the event that (following, if so required, due presentation of an Original Bond) upon redemption, payment of the principal amount is improperly withheld or refused such Original Bond will continue to bear interest as aforesaid until the day after the Original Bondholders have been or are deemed to have been notified of receipt by the Trustee or the Principal Paying, Transfer and Conversion Agent of all sums due in respect of the Bonds up to that day (except to the extent that there is a failure in the subsequent payment to the relevant holders under the Conditions). The Trustee will hold the benefit of this covenant on trust for the Original Bondholders.

### **2.3 Discharge**

Subject to Clause 2.4, any payment to be made in respect of the Original Bonds by the Issuer or the Trustee may be made as provided in the Conditions and any payment so made will (subject to Clause 2.4) to such extent be a good discharge to the Issuer or the Trustee, as the case may be.

## **2.4 Payment after Default**

**2.4.1** At any time after a Potential Event of Default or an Event of Default has occurred, the Trustee may:

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- (i) by notice in writing to the Issuer and the Agents, require the Agents, until notified by the Trustee to the contrary, so far as permitted by any applicable law:
  - (a) to act thereafter as Agents of the Trustee under this Trust Deed and the Bonds on the terms of the Paying, Transfer and Conversion Agency Agreement (with consequential amendments as necessary and except that the Trustee's liability for the indemnification, remuneration and all other out-of-pocket expenses of the Agents will be limited to the amounts for the time being held by the Trustee in respect of the Bonds on the terms of this Trust Deed) and thereafter to hold all Bonds and/or Ordinary Shares in the form of Ordinary Shares and/or SDRs if any and all moneys, documents and records held by them in respect of Bonds and/or Ordinary Shares in the form of Ordinary Shares and/or SDRs if any to the order of the Trustee; or
  - (b) to deliver all Bonds, all moneys, documents and records held by them in respect of the Bonds and, if the Trustee so directs in such notice or subsequently so directs, any Ordinary Shares in the form of Ordinary Shares and/or SDRs held by them, to the Trustee or as the Trustee directs provided that such notice shall be deemed not to apply to any documents or records which the relevant Agent is obliged not to release by any law or regulation; and
- (ii) by notice in writing to the Issuer require it to make all subsequent payments in respect of the Bonds to or to the order of the Trustee and not to or to the account of the Principal Paying, Transfer and Conversion Agent. With effect from the issue of any such notice to the Issuer and until such time as the notice is withdrawn, proviso (1) to Clause 2.2 shall not apply.

## **3 Form of Bonds**

### **3.1 The Global Bond**

On issue of the Original Bonds, the Original Global Bond will be issued representing the aggregate principal amount of the Original Bonds and the Issuer shall procure that the appropriate entries be made in the register of Bondholders by the Registrar to reflect the issue of such Original Bonds. The Original Global Bond will be issued in the name of a common depositary for Euroclear and Clearstream, Luxembourg or its nominee. The issue of the Global Bond in names other than those of the common depositary or its nominee is restricted as provided in the Global Bond. The Original Bonds represented by the Global Bond shall be subject to their terms in all respects and entitled to the same benefits under this Trust Deed as individual Original Bonds.

### **3.2 Definitive Bonds**

Definitive Original Bonds in registered form in authorised denominations, if issued, will be delivered upon exchange of the Global Bond as provided therein. Such Original Bonds may be printed or typed and need not be security printed unless otherwise required by applicable stock exchange requirements.

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### **3.3 Form**

Definitive Original Bonds and the Global Bond will be in or substantially in the respective forms set out in Schedules 1 and 2. The definitive Original Bonds will be endorsed with the Conditions.

### **3.4 Signature**

The Global Bond will be signed manually or in facsimile by one or more authorised directors or officers of the Issuer duly authorised for the purpose or manually by any duly authorised attorney of the Issuer and in any case will be authenticated manually by or on behalf of the Registrar. The definitive Original Bonds (if issued) will be signed manually or in facsimile by one or more authorised directors or duly authorised officers of the Issuer and in any case will be authenticated manually by or on behalf of the Registrar. The Issuer may use the facsimile signature of any person who at the date of this Trust Deed is an authorised director or a duly authorised Officer of the Issuer even if at the time of issue of any Original Bond (including the Global Bond) he no longer holds such office. Original Bonds (including the Global Bond) so executed and authenticated will be binding and valid obligations of the Issuer.

## **4 Tax**

### **4.1 Stamp Duties and Taxes**

The Issuer will pay any stamp, issue, registration, documentary or other similar taxes and duties, including interest and penalties, payable in the United Kingdom, Belgium and Luxembourg in respect of the creation, issue and offering of the Bonds, and the execution or delivery of this Trust Deed. The Issuer will also indemnify the Trustee and the Bondholders from and against all stamp, issue, registration, documentary or other taxes paid by any of them in any jurisdiction in connection with any action taken by or on behalf of the Trustee or, as the case may be, (where entitled under Condition 15 to do so) the Bondholders to enforce the obligations of the Issuer under this Trust Deed, the Paying, Transfer and Conversion Agency Agreement or the Bonds.

### **4.2 Change of Taxing Jurisdiction**

If the Issuer becomes subject generally to the taxing jurisdiction of a territory or a taxing authority of or in that territory with power to tax other than or in addition to Luxembourg or any such authority of or in such territory then the Issuer will (unless the Trustee otherwise agrees) give the Trustee an undertaking satisfactory to the Trustee in terms corresponding to the terms of Condition 9 with substitution for, or (as the case may require) in addition to, the references in that Condition to Luxembourg or of references to that other or additional territory or authority to whose taxing jurisdiction the Issuer has become so subject. In such event this Trust Deed and the Bonds will be read accordingly.

## **5 Further Issues**

### **5.1 Liberty to Create**

The Issuer may from time to time without the consent of the Bondholders create and issue Further Bonds having the same terms and conditions in all respects as the Original Bonds (or in all respects except for the first payment of interest on them) and so that such Further

Bonds shall be consolidated and form a single series with the Original Bonds or any Further Bonds.

### **5.2 Means of Constitution**

Any Further Bonds created and issued pursuant to the provisions of Clause 5.1 above forming a single series with the Original Bonds or Further Bonds of any series constituted by deed supplemental to this Trust Deed, and any other Bonds of any series created and issued pursuant to the provisions of Clause 5.1 above may, with the consent of the Trustee, be so constituted. The Issuer shall prior to the issue of any Further Bonds to be so constituted execute and deliver to the Trustee a deed supplemental to this Trust Deed (if

applicable duly stamped) and containing a covenant by the Issuer in the form *mutatis mutandis* of Clause 2 of this Trust Deed in relation to the principal amount and interest in respect of such Further Bonds and such other provisions (corresponding to any of the provisions contained in this Trust Deed) as the Trustee shall require.

### **5.3 Noting of Supplemental Deeds**

A memorandum of every such supplemental deed shall be endorsed by the Trustee on this Trust Deed and by the Issuer on the duplicate(s) of this Trust Deed.

### **5.4 Notice of Further Issues**

Whenever it is proposed to create and issue any Further Bonds, the Issuer shall give to the Trustee not less than ten days' notice in writing of its intention to do so, stating the amount of Further Bonds proposed to be created or issued.

### **5.5 Separate Series**

Any Further Bonds not forming a single series with the Original Bonds or Further Bonds of any series shall form a separate series and accordingly, the provisions of Clause 5.2, Clauses 7 and 9 to 19 (inclusive) and Schedule 3 shall apply *mutatis mutandis* separately and independently to the Bonds of each series and in such Clauses and Schedule the expressions "**Bonds**" and "**Bondholders**" shall be construed accordingly.

## **6 Application of Moneys received by the Trustee**

### **6.1 Declaration of Trust**

All moneys received by the Trustee in respect of the Original Bonds or amounts payable under this Trust Deed will, regardless of any appropriation of all or part of them by the Issuer be held by the Trustee (subject to the provisions of Clause 6.2) upon trust to apply them:

- 6.1.1** first, in payment of all costs, charges, expenses and liabilities properly incurred by the Trustee (including remuneration payable to the Trustee) in carrying out its functions under this Trust Deed;
- 6.1.2** secondly, in payment of any amounts owing in respect of the Bonds *pari passu* and rateably; and
- 6.1.3** thirdly, in payment of the balance (if any) to the Issuer for itself.

Without prejudice to this Clause 6.1, if the Trustee holds any moneys which represent principal or interest or other sums in respect of Bonds which have become void or in

respect of which claims have become prescribed under Condition 12, the Trustee will hold such moneys upon the trusts set out in Clause 6.1.1 and 6.1.3.

### **6.2 Accumulation**

If the amount of the moneys at any time available for payment in respect of the Bonds under Clause 6.1 is less than 10 per cent. of the principal amount of the Bonds then outstanding, the Trustee may, at its discretion, invest such moneys. The Trustee may retain such investments and accumulate the resulting income until the investments and the accumulations, together with any other funds for the time being under the control of the Trustee and available for such payment, amount to at least 10 per cent. of the principal amount of the Bonds then outstanding and then such investments, accumulations and funds (after deduction of, or provision for, any applicable taxes) will be applied as specified in Clause 6.1.



## 6.3 Investment

Any moneys held by the Trustee may be invested in the name or under the control of the Trustee in any investments or other assets in any part of the world whether or not they produce income or placed on deposit in the name or under the control of the Trustee at such bank or other financial institution and in such currency as the Trustee may, in its absolute discretion, think fit. If that bank or institution is the Trustee or an associated company of the Trustee it shall not be liable to account for interest at a rate greater than that payable by it to an independent customer on a deposit of the type made. The Trustee may at any time vary or transpose any such investments for or into other such investments or convert any moneys so deposited into any other currency, and will not be responsible for any loss occasioned thereby, whether by depreciation in value, fluctuation in exchange rates or otherwise.

## 7 Covenant to Comply with Provisions

The Issuer hereby covenants with the Trustee that it will comply with and perform and observe all the provisions of this Trust Deed which are expressed to be binding on it. The Conditions shall be binding on the Issuer and the Bondholders. The Trustee shall be entitled to enforce the obligations of the Issuer under the Bonds and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds. The provisions contained in Schedule 3 shall have effect in the same manner as if herein set forth.

## 8 Conversion

### 8.1 Conversion Right

The holder of each Original Bond will have the right (the “**Conversion Right**”) to convert each U.S.\$10,000 principal amount thereof into fully paid Ordinary Shares and/or at the option of the relevant Bondholder SDRs representing fully paid Ordinary Shares, at any time (subject to any applicable fiscal or other laws or regulations and as provided in the Conditions) during the Conversion Period.

### 8.2 Adjustment to the Conversion Price

The Issuer hereby undertakes to and covenants with the Trustee that, so long as any of the Bonds remains outstanding, it will whenever the Conversion Price falls to be adjusted pursuant to the Conditions:

- 8.2.1 as soon as practicable deliver to the Trustee a certificate signed by two directors or duly authorised Officers of the Issuer (which the Trustee shall be entitled to accept without further enquiry as sufficient evidence of the correctness of the matters therein referred to) setting forth brief particulars of the event giving rise to the adjustment, the adjusted Conversion Price, the date on which the adjustment takes effect and such other particulars and information as the Trustee may reasonably require; and
- 8.2.2 give notice to the Bondholders in accordance with Condition 17 of the adjustment to the Conversion Price promptly after the determination thereof and advising them of the date on which the relevant adjustment is likely to become effective.

## 9 Covenants

So long as any Bond is outstanding, the Issuer will:

### 9.1 Books of Account

keep, and procure that each Significant Restricted Group Member keeps, proper books of account and, at any time after the occurrence of an Event of Default or a Potential Event of Default or if the Trustee reasonably believes that any such event has occurred, so far as permitted by applicable law, allow, and procure that each Significant Restricted Group Member will allow, the

Trustee and anyone appointed by it to whom the Issuer and each Significant Restricted Group Member has no reasonable objection, access to the books of account of the Issuer and each Significant Restricted Group Member, at all times during normal business hours;

## **9.2 Notice of Events of Default; Change of Control**

immediately (and in respect of a Change of Control or a Change of Control Triggering Event, within 14 calendar days of the first day on which it becomes aware of such occurrence) notify the Trustee in writing upon becoming aware of the occurrence of any Event of Default, Potential Event of Default, Change of Control or Change of Control Triggering Event or breach of any undertaking under Condition 11 or of any proposed redemption pursuant to Condition 7(b) or 7(c);

## **9.3 Information**

so far as permitted by applicable law, give to the Trustee such information as it reasonably requires for the performance and discharge of its functions;

## **9.4 Financial Statements etc.**

send to the Trustee at the time of their issue in the case of annual financial statements and in any event within 180 days of the end of each financial year three copies in English of every balance sheet, profit and loss account, and within 30 days of issue any report or other notice, statement or circular issued, or that legally or contractually should be issued,

to the shareholders or creditors (or any class of them) of the Issuer generally in their capacity as such;

## **9.5 Certificate of Directors/Duly Authorised Officers**

send to the Trustee, within 30 days after its annual audited consolidated balance sheet and profit and loss account being made available to its shareholders, and also within 14 days after any request by the Trustee a certificate of the Issuer signed by any two of its directors or duly authorised Officers on behalf of the Issuer to the effect that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the “**Certification Date**”) being not more than five days before the date of the certificate, no Event of Default or Potential Event of Default or other breach of this Trust Deed had occurred since the date of this Trust Deed or the Certification Date of the last such certificate (if any) or, if such an event had occurred, giving details of it;

## **9.6 Notices to Bondholders**

send to the Trustee not less than seven days before the date of publication, for the Trustee’s approval (such approval not to constitute approval for the purposes of Section 21 of the Financial Services and Markets Act 2000 of the United Kingdom (“**FSMA**”) of any such notice which is a communication within the meaning of Section 21 of the FSMA), a copy of the form of each notice to the Bondholders to be published in accordance with Condition 17 and upon publication two copies of each notice so published;

## **9.7 Further Acts**

so far as permitted by applicable law, do all such further things as may be necessary in the opinion of the Trustee to give effect to this Trust Deed;

## **9.8 Notice of Late Payment**

forthwith upon request by the Trustee give notice to the Bondholders of any unconditional payment to the Principal Paying, Transfer and Conversion Agent or the Trustee of any sum due in respect of the Bonds made after the due date for such payment;

## **9.9 Listing**

use all reasonable endeavours to maintain the listing of the Bonds on the Luxembourg Stock Exchange. If, however, it is unable to do so, having used such endeavours, or if the Trustee agrees that the maintenance of such listing is unduly onerous, and the Trustee is satisfied that the interests of the Bondholders would not be thereby materially prejudiced the Issuer will instead use all reasonable endeavours promptly to obtain and maintain a listing of the Bonds and/or admission to trading of the Bonds, on such other stock exchange as it may (with the written approval of the Trustee, such approval not to be unreasonably withheld or delayed) decide;

#### **9.10 Change in Agents**

give not less than 14 days' prior notice to the Bondholders of any future appointment or any resignation or removal of any Agent or of any change by any Agent of its specified office and not make any such appointment or removal without the written approval of the Trustee;

#### **9.11 Bonds held by the Issuer and its Subsidiaries**

send to the Trustee as soon as practicable after being so requested by the Trustee a certificate of the Issuer signed by any two of its directors or duly authorised Officers on behalf of the Issuer setting out the total number of Bonds which, at the date of such certificate, were held by or on behalf of the Issuer or any of its Subsidiaries and which have not been cancelled;

#### **9.12 Register**

deliver or procure the delivery to the Trustee of an up-to-date copy of the Register in respect of the Bonds, certified as being a true, accurate and complete copy, at such times as the Trustee may require;

#### **9.13 Significant Restricted Group Members, Restricted Subsidiaries and Restricted Affiliates**

give to the Trustee at the same time as sending the certificate as referred to in Clause 9.5 or within 14 days of a request by the Trustee, a certificate of the Issuer signed by any two of its directors or duly authorised Officers on behalf of the Issuer listing those Subsidiaries of the Issuer which as at the last day of the last financial year of the Issuer or as at the date specified in such request were Significant Restricted Group Members, Restricted Subsidiaries or Restricted Affiliates;

#### **9.14 Designation of Excluded Subsidiaries, Restricted Affiliates and Securitisation Entities**

upon designation of (i) a Subsidiary as an Unrestricted Subsidiary, (ii) a Minority Owned Affiliate as a Restricted Affiliate, or (iii) a Subsidiary as a Securitisation Entity, promptly deliver to the Trustee an Officer's Certificate certifying that such designation complied with the Conditions and including a certified copy of the Board Resolution approving such designation.

#### **9.15 Redemption for Taxation Reasons**

prior to the giving of any Tax Redemption Notice pursuant to Condition 7(c):

**9.15.1** in accordance with the obligation referred to in Condition 7(c)(1), satisfy the Trustee that immediately prior to the giving of such Tax Redemption Notice that it has or will become obliged to pay Additional Amounts as defined in Condition 9 as a result of a change in, or amendment to, the laws or regulations of Luxembourg or any political sub-division or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 1 December 2004; and

**9.15.2** deliver to the Trustee a certificate signed by two directors or duly authorised Officers of the Issuer stating that the obligation to pay Additional Amounts referred to in Condition 7(c)(1) cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall, without enquiring and without any liability therefore, be entitled to accept such

## **10 Remuneration and Indemnification of the Trustee**

### **10.1 Normal Remuneration**

So long as any Bond is outstanding, the Issuer will pay to the Trustee by way of remuneration for its services as Trustee such sum on such dates as may from time to time be agreed between them. Such remuneration will accrue from day to day from the date of this Trust Deed. However, if any payment to a Bondholder of the moneys due in respect of any Bond is improperly withheld or refused, such remuneration will continue to accrue as from the date of such withholding or refusal until payment to such Bondholder is duly made.

### **10.2 Extra Remuneration**

At any time after the occurrence of an Event of Default or a Potential Event of Default or if the Trustee finds it expedient in the interests of Bondholders or necessary, or is requested by the Issuer, to undertake duties which the Trustee considers to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under this Trust Deed, the Issuer will pay such additional remuneration as may be agreed between them or, failing agreement as to any of the matters in this Clause (or as to such sums referred to in Clause 10.1), as determined by an independent investment bank or securities firm of international repute in London (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the Issuer or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales, the expenses involved in such selection and approval and the fee of such independent investment bank being borne by the Issuer. The determination of such independent investment bank will, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders.

### **10.3 Expenses**

The Issuer will also on written demand by the Trustee pay or discharge all costs, charges, liabilities and expenses properly incurred by the Trustee in relation to the preparation and execution of this Trust Deed and the carrying out of its functions under this Trust Deed including, but not limited to, legal and travelling expenses and any capital, stamp, registration, documentary or other taxes or duties properly paid by the Trustee in connection with any legal proceedings brought or contemplated by the Trustee against the Issuer for enforcing any obligation under this Trust Deed, the Paying, Transfer and Conversion Agency Agreement, or the Bonds. Such costs, charges, liabilities and expenses will:

- 10.3.1** in the case of payments made by the Trustee prior to such demand (if not paid within three days of such demand) carry interest from the date on which the demand is made at the rate of two per cent. per annum over the base rate of The Bank of New York on the date on which such payments were made by the Trustee and
- 10.3.2** in all other cases will carry interest at such rate from 30 days after the date on which the demand is made or (where the demand specifies that payment is to be made on an earlier date) from such earlier date.

### **10.4 Indemnity**

The Issuer will on demand by the Trustee indemnify it in respect of Amounts or Claims paid or incurred by it in acting as trustee under this Trust Deed including (1) any Agent/Delegate Liabilities and (2) in respect of disputing or defending any Amounts or Claims made against the Trustee or any Agent/Delegate Liabilities. “**Amounts or Claims**” are losses, liabilities, costs, claims, actions, demands or expenses and “**Agent/Delegate Liabilities**” are Amounts or Claims which the Trustee is or would be obliged to

pay or reimburse to any of its agents or delegates appointed pursuant to this Trust Deed. The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 10.4.

## **10.5 Provisions Continuing**

The provisions of Clauses 10.3 and 10.4 shall survive the satisfaction and discharge of the terms of this Trust Deed and will continue in full force and effect in relation to the Trustee even if it may have ceased to be Trustee.

## **11 Provisions Supplemental to the Trustee Act 1925 and the Trustee Act 2000**

By way of supplement to the Trustee Act 1925 and the Trustee Act 2000 it is expressly declared as follows:

### **11.1 Advice**

The Trustee may act on the opinion or advice of, or information obtained from, any expert or a certificate or report or confirmation of the Auditors or of any accountants, financial advisers, investment bank, lawyer or expert in each case whether or not addressed to the Trustee and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise, and will not be responsible to anyone for any loss occasioned by so acting. Any such opinion, advice, certificate, report or information may be sent or obtained by letter or facsimile transmission and the Trustee will not be liable to anyone for acting in good faith on any opinion, advice, certificate, report or information purporting to be conveyed by such means even if it contains some error or is not authentic. The Trustee shall be entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be conclusive and binding on the Issuer in the absence of manifest or proven error.

### **11.2 Trustee to Assume Due Performance**

The Trustee need not notify anyone of the execution of this Trust Deed or take any steps to ascertain whether any Event of Default, Potential Event of Default, Change of Control or Change of Control Triggering Event has occurred or any event which could lead to a Change of Control or Change of Control Triggering Event has occurred or may occur and, until it has actual knowledge or express notice to the contrary, the Trustee may assume that no such event has occurred and that the Issuer is performing all its obligations under this Trust Deed and the Bonds.

### **11.3 Resolutions of Bondholders**

The Trustee will not be responsible for having acted in good faith upon a resolution purporting to have been passed at a meeting of Bondholders in respect of which minutes

have been made and signed even though it may later be found that there was a defect in the constitution of such meeting or the passing of such resolution or that such resolution was not valid or binding upon the Bondholders.

### **11.4 Certificate Signed by Directors**

The Trustee may call for and may accept as sufficient evidence of any fact or matter or of the expediency of any act a certificate of the Issuer signed by any two directors or duly authorised Officers of the Issuer on behalf of the Issuer to any fact or matter upon which the Trustee may, in the exercise of any of its functions, require to be satisfied or to have information to the effect that, in the opinion of the person or persons so certifying, any particular act is expedient and the Trustee need not call for further evidence and will not be responsible for any loss that may be occasioned by acting on any such certificate.

## **11.5 Deposit of Documents**

The Trustee may deposit this Trust Deed and any other documents in any part of the world with any banker or banking company believed by it to be of good repute or entity whose business includes undertaking the safe custody of documents or with any lawyer or firm of lawyers believed by it to be of good repute and may pay all sums to be paid on account of or in respect of any such deposit provided that, unless in the opinion of the Trustee it is required in connection with the enforcement of any obligation of the Issuer under this Trust Deed, the Paying, Transfer and Conversion Agency Agreement or the Bonds or otherwise in connection with the performance of the duties of the Trustee hereunder or thereunder or unless it comprises the holding or placing of such documents in the United Kingdom, the Trustee may not take any such action if a liability to stamp duty or other duties or taxes would thereby arise.

## **11.6 Custodians/Nominees**

The Trustee may appoint and pay any person to act as a custodian or nominee on any terms in relation to such assets of the trusts constituted by this Trust Deed as the Trustee may determine, including for the purposes of depositing with a custodian this Trust Deed or any document relating to the trusts constituted by this Trust Deed; the Trustee is not obliged to appoint a custodian if the Trustee invests in securities payable to bearer.

## **11.7 Discretion of Trustee**

Save as expressly provided in this Trust Deed, the Trustee will have absolute and uncontrolled discretion as to the exercise of its functions hereby vested in the Trustee and will not be responsible for the exercise or non-exercise thereof nor for any loss, liability, cost, claim, action, demand, expenses or inconvenience which may result from their exercise or non-exercise, but, whenever the Trustee is under the provisions of this Trust Deed or the Bonds bound to act at the request or direction of the Bondholders, the Trustee shall nevertheless not be so bound unless first indemnified to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing.

## **11.8 Agents**

Whenever it considers it expedient in the interests of the Bondholders, the Trustee may, in the conduct of its trust business, instead of acting personally, employ and pay an agent selected by it, whether or not a lawyer or other professional person, to transact or conduct,

or concur in transacting or conducting, any business and to do or concur in doing all acts required to be done by the Trustee (including the receipt and payment of money).

## **11.9 Delegation**

Whenever it considers it expedient in the interests of the Bondholders, the Trustee may delegate to any person and on any terms (including power to sub-delegate) all or any of its functions provided that the Trustee may not delegate the right to determine whether an Event of Default or Potential Event of Default has occurred unless prior to such delegation the Trustee provides to the Issuer confirmation in writing that the Trustee has been advised by its legal advisers that it should delegate that right (with or without any other rights, trusts, powers, authorities and discretions) to another person or fluctuating body of persons because of a conflict of interest or possible conflict of interest and/or other similar circumstances which the Trustee might face, or be subjected to, as the trustee of this Trust Deed if it were not to delegate that right. It shall notify the Issuer of its appointment of any such delegate within a reasonable time.

## **11.10 Forged Bonds**

The Trustee will not be liable to the Issuer or any Bondholder by reason of having accepted as valid or not having rejected any Bond purporting to be such and later found to be forged or not authentic.

### **11.11 Confidentiality**

Unless ordered to do so by a court of competent jurisdiction, the Trustee shall not be required to disclose to any Bondholder any confidential financial or other information made available to the Trustee by the Issuer and no Bondholder shall be entitled to take any action to obtain from the Trustee any such information.

### **11.12 Determinations Conclusive**

The Trustee may determine all questions and doubts arising in relation to any of the provisions of this Trust Deed. Every such determination, whether made upon such a question actually raised or implied in the acts or proceedings of the Trustee, will be conclusive in the absence of manifest error and shall bind the Issuer, the Trustee and the Bondholders.

### **11.13 Currency Conversion**

Where it is necessary or desirable for any purpose in connection with the terms of this Trust Deed or the Conditions to convert any sum from one currency to another, it will (unless otherwise provided herein or required by law) be converted at such rate or rates, in accordance with such method and as at such date as may be properly specified by the Trustee but having regard to current rates of exchange, if available. Any rate, method and date so specified will be binding on the Issuer and the Bondholders.

### **11.14 Events of Default**

The Trustee may determine whether or not an Event of Default or a Potential Event of Default is in its opinion capable of remedy and/or whether or not any event is in its opinion materially prejudicial to the interests of the Bondholders. Any such determination will be conclusive and binding upon the Issuer and the Bondholders.

### **11.15 Payment for and Delivery of Bonds**

The Trustee will not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Bonds or the delivery of the definitive registered Bonds to the persons entitled to them.

### **11.16 Bonds held by the Issuer**

In the absence of knowledge or express notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate of the Issuer under Clause 9.11) that no Bonds are for the time being held by or on behalf of the Issuer or any of its Subsidiaries.

### **11.17 Interests of Bondholders**

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any proposed modification, waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of this Trust Deed or any proposed substitution in accordance with Clause 15.2 or any determination made pursuant to Clause 15.2), the Trustee shall have regard to the interests of the Bondholders as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or otherwise to the tax consequences thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim from the Issuer or the Trustee, any indemnification or payment of any tax arising in consequence of any such exercise upon individual Bondholders.



#### **11.18 No Responsibility for Conversion Rights**

The Trustee shall not at any time be under any duty or responsibility to any Bondholder to determine whether any facts exist which may require any adjustment of the Conversion Price or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, or in this Trust Deed provided to be employed, in making the same. The Trustee shall not at any time be under any duty or responsibility in respect of the validity or value (or the kind or amount) of Ordinary Shares in the form of Ordinary Shares and/or SDRs or of any other securities, property or cash, which may at any time be made available or delivered upon the conversion of any Bond; and it makes no representation with respect thereto. The Trustee shall not be responsible for any failure of the Issuer to make available or deliver any Ordinary Shares in the form of Ordinary Shares and/or SDRs or share certificates or other securities or property or make any payment upon the exercise of the Conversion Right in respect of any Bond or of the Issuer to comply with any of the covenants contained in this Trust Deed.

#### **11.19 Enforcement of Rights**

The Trustee need not take any such action or proceedings as referred to in Condition 15 unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least one quarter in principal amount of the Bonds then outstanding and (b) it shall have been indemnified to its satisfaction.

#### **11.20 Breach of Undertakings**

The Trustee assumes no responsibility for ascertaining whether or not (i) a breach of any of the undertakings in Condition 11 shall have occurred or (ii) any such breach shall have been rectified or (iii) any adjustment falls to be made to the Conversion Price as a result thereof. Unless and until the Trustee has actual knowledge of any of the above events it shall be entitled to assume that no such event has occurred. The Trustee shall not be liable for any loss arising from any determination or calculation made pursuant to the Conditions or from any failure or delay in making any such determination or calculation.

#### **11.21 Responsibility for Agents etc.**

If the Trustee exercises reasonable care in selecting any custodian, agent, delegate or nominee appointed under this clause (an “Appointee”), it will not have any obligation to supervise the Appointee or be responsible for any loss, liability, cost, claim, action, demand or expense incurred by reason of the Appointee’s misconduct or default or misconduct or default of any substitute appointed by the Appointee.

#### **11.22 Incurrence of Financial Liability**

Nothing contained in this Trust Deed shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any power, rights, authority or discretion hereunder if it has grounds for believing the repayment of the funds or adequate indemnity against such risk or liability is not assured to it.

#### **11.23 Independent Investment Bank**

The Trustee has no responsibility for the accuracy or otherwise of any determination made by an independent investment bank pursuant to the Conditions.

#### **11.24 Reliance on Certification of Clearing System**

The Trustee may call for and shall be at liberty to accept and place full reliance on as sufficient evidence thereof and shall not be liable to the Issuer or any Bondholder by reason only of either having accepted as valid or not having rejected any certificate or other document issued by any clearing system as to the nominal amount of the Bonds beneficially owned by any person or any other matter



(and any such certificate or other document so accepted by the Trustee shall, in the absence of manifest error, be conclusive and binding for all purposes) and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of the Bonds is clearly identified together with the amount of such holding.

#### **11.25 Legal Opinions**

The Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Bonds or for failing to check or comment upon the content of any such legal opinion.

#### **11.26 Trustee not Responsible**

The Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto, any licence, consent or other authority for the

execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of this Trust Deed or any other document relating thereto. In addition the Trustee shall not be responsible for the effect of the exercise in accordance with the terms of this Trust Deed of any of its powers, duties and discretions hereunder.

#### **11.27 Right to Deduct or Withhold**

Notwithstanding anything contained in this Trust Deed, to the extent required by any applicable law, if the Trustee is or will be required to make any deduction or withholding from any distribution or payment made by it hereunder or if the Trustee is or will be otherwise charged to, or is or may become liable to, tax as a consequence of performing its duties hereunder whether as principal, agent or otherwise, and whether by reason of any assessment, prospective assessment or other imposition of liability to taxation of whatsoever nature and whensoever made upon the Trustee, and whether in connection with or arising from any sums received or distributed by it or to which it may be entitled under this Trust Deed or any investments or deposits from time to time representing the same, including any income or gains arising therefrom or any action of the Trustee in connection with the trusts of this Trust Deed or otherwise, then the Trustee shall be entitled to make such deduction or withholding or, as the case may be, to retain out of sums received by it an amount sufficient to discharge any liability to tax which relates to sums so received or distributed or to discharge any such other liability of the Trustee to tax from the funds held by the Trustee upon the trusts of this Trust Deed.

#### **11.28 Lists of and Certificates relating to Significant Restricted Group Members, Restricted Subsidiaries and Restricted Affiliates**

A list or certificate of the Issuer provided to the Trustee under Clause 9.13 in relation to any Significant Restricted Group Member, Restricted Subsidiary or Restricted Affiliate shall be conclusive and binding on the Trustee and the Bondholders, and the Trustee shall be entitled to rely on such list and/or certificate absolutely without further investigation.

#### **11.29 Expert Reports**

Any certificate or report of the Auditors of the Issuer or any other expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these presents may be relied upon by the Trustee as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee and/or the Auditors or any other expert or person in connection therewith contains a monetary limit or other limit on the liability of the Auditors or such other expert or other person in respect thereof.

#### **11.30 Responsibility for Statements etc.**

The Trustee shall not be responsible for, or for investigating any matter which is the subject of, any recital, statement, representation, warranty or covenant of any person contained in this Trust Deed, or any other agreement or document relating to the transactions contemplated in this Trust Deed or under such other agreement or document.

### **11.31 Not bound to act**

The Trustee shall not be bound to take any action in connection with this Trust Deed or any obligations arising hereunder, including without prejudice to the generality of the foregoing, forming any opinion or employing any financial adviser, where it is not reasonably satisfied that the Issuer will be able to indemnify it against all liabilities which may be incurred in connection with such action and may demand prior to taking any such action that there be paid to it in advance such sums as it reasonably considers (without prejudice to any further demand) shall be sufficient so to indemnify it and on such demand being made the Issuer shall be obliged to make payment of all such sums in full.

## **12 Trustee liable for negligence**

Section 1 of the Trustee Act 2000 shall not apply to any action of the Trustee provided that nothing in this Trust Deed shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of this Trust Deed relieve or indemnify it from or against any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it or its officers and employees may be guilty in relation to its duties under this Trust Deed.

Where there are any inconsistencies between the Trustee Act 1925, the Trustee Act 2000 and the provisions of this Trust Deed, the provisions of this Trust Deed shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of this Trust Deed shall constitute a restriction or exclusion for the purposes of that Act.

## **13 Waiver and Proof of Default**

### **13.1 Waiver**

The Trustee may, without the consent of the Bondholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the Bondholders will not be materially prejudiced thereby, waive or authorise, on such terms and conditions as seem expedient to it, any breach, continuing breach or proposed breach by the Issuer of any of the provisions of this Trust Deed, the Conditions or the Bonds or determine that any Event of Default or Potential Event of Default will not be treated as such provided that the Trustee will not do so in contravention of any express direction given by an Extraordinary Resolution but so that no such direction will affect any previous waiver, authorisation or determination. Any such waiver, authorisation or determination will be binding on the Bondholders and, if the Trustee so requires, will be notified to the Bondholders as soon as practicable.

### **13.2 Proof of Default**

If it is proved that as regards any specified Bond the Issuer has made default in paying any sum due to the relevant Bondholder such proof will (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Bonds which are then payable.

## **14 Trustee not precluded from entering into Contracts**

Neither the Trustee nor any director or officer of a corporation acting as a Trustee, whether acting for itself or in any other capacity, will be precluded from becoming the owner of, or acquiring any interest in, or holding, or disposing of, any Bonds or any Ordinary Shares in the form of Ordinary Shares and/or SDRs or other securities of the Issuer or any of its Subsidiaries, or holding or associated companies with the same rights as it would have had if the Trustee were not the Trustee or from entering into or being interested in any contracts or transactions with the Issuer or any of its Subsidiaries, or holding or associated companies or from acting on, or as depositary or agent for, any committee or body of holders of any securities of the Issuer or any of its Subsidiaries, or holding or associated companies and will not be liable to account for any profit resulting therefrom.

## 15 Modification and Substitution

### 15.1 Modification

The Trustee may agree with the Issuer in making, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Paying, Transfer and Conversion Agency Agreement, any agreement supplemental to the Paying, Transfer and Conversion Agency Agreement, the Bonds or the Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or any mistake or error which is proved to the Trustee's satisfaction to be such or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Paying, Transfer and Conversion Agency Agreement, any agreement supplemental to the Paying, Transfer and Conversion Agency Agreement, the Bonds or the Conditions, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Paying, Transfer and Conversion Agency Agreement, any agreement supplemental to the Paying, Transfer and Conversion Agency Agreement, the Bonds or the Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Such power does not extend to any such modification as is mentioned in the proviso to paragraph 19 of Schedule 3. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders promptly in accordance with Condition 17.

### 15.2 Substitution

**15.2.1** The Trustee may, without the consent of the Bondholders, agree with the Issuer to the substitution in place of the Issuer (or any previous substitute under this paragraph) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer or (in the case of a Newco Scheme) of Newco (the "**Substituted Obligor**"), provided that:

- (i) a deed is executed or undertaking given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by this Trust Deed and the Bonds (with consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in this Trust Deed and the Bonds as the principal debtor in place of the Issuer;
- (ii) if the Substituted Obligor is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax other than the territory to the taxing jurisdiction of which (or to any such authority of or in which) the Issuer is subject generally, the Substituted Obligor will (unless the Trustee otherwise agrees) give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for the references in that Condition to Luxembourg of references to that other territory whose taxing jurisdiction the Substituted Obligor is so subject, whereupon this Trust Deed and the Bonds will be read accordingly;
- (iii) (other than in the case of a Newco Scheme) an unconditional and irrevocable guarantee is given by the Issuer to the Trustee of the payment of all moneys payable by the Substituted Obligor as such principal debtor to the Trustee's satisfaction;
- (iv) if any two directors or duly authorised Officers of the Substituted Obligor certify that it will be solvent immediately after such substitution, the Trustee need not have regard to the Substituted Obligor's financial condition, profits or prospects or compare them with those of the Issuer or any other Person;

- (v) the Luxembourg Stock Exchange shall have certified to the Issuer that, after giving effect to such substitution, the Bonds shall continue to be listed on the Luxembourg Stock Exchange;
- (vi) the Bonds continue to be convertible (in whole or in part) into either (a) Ordinary Shares in the form of Ordinary Shares and/or SDRs as provided in the Conditions with such amendments as the Trustee shall consider appropriate; or (b) where the Substituted Obligor is a Newco, ordinary shares and/or depositary receipts in such Newco with such amendments as are necessary, in the opinion of the Trustee to ensure that the Bonds may be converted into or exchanged for ordinary shares and/or depositary receipts in Newco in accordance with and subject to the Conditions;
- (vii) the Issuer and the Substituted Obligor comply with such other requirements as the Trustee may direct in the interests of the Bondholders; and
- (viii) the Trustee may in the event of such substitution agree without the consent of the Bondholders to a change of law governing this Trust Deed and/or the Bonds and/or the Paying, Transfer and Conversion Agency Agreement provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

**15.2.2 Release of Issuer and Substitute Obligor:** Any such agreement by the Trustee pursuant to this Clause 15.2 will, if so expressed, operate to release the Issuer (or any such previous substitute) from any or all of its obligations under this Trust Deed and the Bonds. Not later than 14 days after the execution of any such documents and after compliance with such requirements, notice of the substitution will be given to the Bondholders.

**15.2.3 Completion of Substitution:** Upon the execution of such documents and compliance with the requirements in this Clause 15.2, the Substituted Obligor will be deemed to be named in this Trust Deed and the Bonds as the principal debtor in

place of the Issuer (or of any previous substitute under Clause 15.2) and this Trust Deed and the Bonds will be deemed to be modified in such manner as shall be necessary to give effect to the substitution. Any such substitution shall be binding on the Bondholders and shall be notified promptly by the Substituted Obligor to the Bondholders in accordance with Condition 17.

**15.2.4** For the purposes of Luxembourg laws and this Clause 15.2, it is deemed that by subscribing to, acquiring or otherwise purchasing the Bonds, the Bondholders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Bonds and relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

## **16 Appointment, Retirement and Removal of the Trustee**

### **16.1 Appointment**

The Issuer will have the power of appointing new trustees but no person will be so appointed unless previously approved by an Extraordinary Resolution of Bondholders. A trust corporation will at all times be a Trustee and may be the sole Trustee. Any appointment of a new Trustee will be notified by the Issuer to the Bondholders as soon as practicable.

### **16.2 Retirement and Removal**

Any Trustee may retire at any time on giving not less than three months' prior notice in writing to the Issuer without giving any reason and without being responsible for any costs occasioned by such retirement and the Bondholders may by Extraordinary Resolution remove any Trustee provided that the retirement or removal of any sole trustee or sole trust corporation will not become effective until a trust corporation is appointed as successor Trustee. If a sole trustee or sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal under this Clause, the Issuer will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee, but if the Issuer has failed to do so within three months of such notice being given or since the date of such Extraordinary Resolution, the Trustee may exercise the power of appointing a successor trustee.

### **16.3 Co-Trustees**

The Trustee may, despite Clause 16.1, by notice in writing to the Issuer appoint anyone to act as an additional Trustee jointly with the Trustee:

**16.3.1** if the Trustee considers such appointment to be in the interests of the Bondholders;

**16.3.2** for the purpose of conforming with any legal requirement, restriction or condition in any jurisdiction in which any particular act is to be performed; or

**16.3.3** for the purpose of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction against the Issuer of either a judgment already obtained or any of the provisions of this Trust Deed.

Subject to the provisions of this Trust Deed the Trustee may confer on any person so appointed such functions as it thinks fit. The Trustee may by notice in writing to the Issuer and such person remove any person so appointed. At the request of the Trustee and the

Issuer will do all things as may be required to perfect such appointment or removal and each of them irrevocably appoints the Trustee to be its attorney in its name and on its behalf to do so.

## **16.4 Competence of a Majority of Trustees**

If there are more than two Trustees the majority of such Trustees will (provided such majority includes a trust corporation) be competent to carry out all or any of the Trustee's functions.

## **17 Currency Indemnity**

### **17.1 Currency of Account and Payment**

U.S. dollars or, in relation to Clause 10, Euro (the “**Contractual Currency**”) is the sole currency of account and payment for all sums payable by the Issuer under or in connection with this Trust Deed and the Bonds, including damages.

### **17.2 Extent of discharge**

An amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise), by the Trustee or any Bondholder in respect of any sum expressed to be due to it from the Issuer will only discharge the Issuer to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

### **17.3 Indemnity**

If the Contractual Currency amount discharged in accordance with Clause 17.2 is less than the Contractual Currency amount expressed to be due to the recipient under this Trust Deed or the Bonds, the Issuer will indemnify it against any loss sustained by it as a result. In any event, the Issuer will indemnify the recipient against the cost of making any such purchase.

### **17.4 Indemnity separate**

The indemnities in this Clause 17 and in Clauses 10.3 and 10.4 constitute separate and independent obligations from the other obligations in this Trust Deed, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and/or any Bondholder and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under this Trust Deed and/or the Bonds or any other judgment or order.

## 18 Communications

Any communication shall be by letter delivered personally or facsimile transmission in the English language:

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in the case of the Issuer, to it at:

75, route de Longwy  
L-8080 Bertrange  
Luxembourg

Fax no.: +352 27 759359  
Attention: Chief Financial Officer

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and in the case of the Trustee, to it at:

The Bank of New York,  
One Canada Square  
London E14 5AL  
United Kingdom

Fax no.: +44 20 7964 6399  
Attention: Corporate Trust Department

Any such communication will take effect, in the case of delivery, at the time of delivery or, in the case of facsimile transmission, at the time of despatch.

## 19 Purchase or Redemption by the Issuer of its own Shares

The Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem its own shares (including Ordinary Shares in the form of Ordinary Shares and/or SDRs) without the consent of the Bondholders.

## 20 Governing Law and Jurisdiction

### 20.1 Governing Law

This Trust Deed shall be governed by and construed in accordance with English law.

### 20.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Trust Deed and the Bonds and accordingly any legal action or proceedings arising out of or in connection with this Trust Deed or the Bonds (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Trustee and the Bondholders and shall not limit the right of any

of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### **20.3 Service of Process**

The Issuer irrevocably appoints Metro International UK Limited at 3<sup>rd</sup> Floor, Interpark House, 7 Down Street, London W1J 7AJ to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, the Issuer irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing shall affect the right to serve process in any other manner permitted by law.

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### **21 Counterparts**

This Trust Deed and any Trust Deed supplemental hereto may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any part to this Trust Deed or any Trust Deed supplemental hereto may enter into the same by executing and delivering a counterpart.

### **22 Contracts (Rights of Third Parties) Act 1999**

A person who is not a party to this Trust Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed save as expressly provided herein. The parties to this Trust Deed shall have the right to amend, vary or rescind any provision of this Trust Deed without the consent of any such third party.

**In witness** whereof this Trust Deed has been executed as a deed on the date stated at the beginning.

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## **Schedule 1 Form of Definitive Original Bonds**

On the front:

COMMON CODE: 020761989

ISIN: XS0207619890

**MILlicom INTERNATIONAL CELLULAR S.A.**

*société anonyme*  
75, route de Longwy  
L-8080 Bertrange  
R.C.S. Luxembourg B.40.630

**U.S.\$200,000,000 4.00 per cent. Convertible Bonds due 2010  
convertible into Ordinary Shares in the form of Ordinary Shares or Swedish Depositary  
Receipts of**

**MILlicom INTERNATIONAL CELLULAR S.A.**



The Bonds represented by this certificate form part of a series designated as specified in the title (the “**Bonds**”) of Millicom International Cellular S.A. (the “**Issuer**”), a public limited liability company (*société anonyme*), incorporated for an unlimited duration under the laws of the Grand Duchy of Luxembourg pursuant to a notarial deed dated 16 June 1992, published in the *Mémorial, Recueil des Sociétés et Associations, Journal Officiel du Grand-Duché de Luxembourg*, C-No 395 of 11 September 1992 on page 18944. The articles of incorporation of the Issuer have been most recently amended following a notarial deed dated 16 December 2004 and are in the process of being published in the *Mémorial, Recueil des Sociétés et Associations, Journal Officiel du Grand-Duché de Luxembourg*. The Issuer is registered with the Luxembourg trade and companies register under number B.40.630 and has presently a subscribed share capital of \$199,999,800 (one hundred ninety-nine million nine hundred ninety-nine thousand eight hundred) divided into 133,333,200 (one hundred thirty three million three hundred thirty-three thousand two-hundred) shares with a par value of \$1.50 (one point fifty) each. As at 21 December 2004, the issued share capital of the Issuer is \$148,837,788, divided into 99,225,192 ordinary shares.

***The aggregate outstanding amount of Bonds issued by the Issuer is as indicated in the records of the Issuer. The Issuer shall at all times arrange for information on the aggregate amount of the Bonds outstanding under this issue (and on guarantees pertaining thereto) to be provided, upon reasonable request in writing, to the holder hereof.***

The Bonds are constituted by a trust deed dated 7 January 2005 (the “**Trust Deed**”) between the Issuer and The Bank of New York as Trustee (the “**Trustee**”). The Bonds are subject to, and have the benefit of, that Trust Deed and the terms and conditions (the “**Conditions**”) endorsed hereon. Terms defined in the Trust Deed have the same meanings when used herein.

The Issuer hereby certifies that [ ] of [ ] is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of U.S.\$[ ] ([ ] United States dollars). For value received, the Issuer promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this Bond is issued such amount or amounts as shall become due and payable from time to time in respect of such Bonds and otherwise to comply with the Conditions.

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The Bonds represented by this individual certificate are convertible into fully paid Ordinary Shares in the form of Ordinary Shares or Swedish Depositary Receipts in the share capital of Millicom International Cellular S.A. subject to and in accordance with the Conditions and the Trust Deed.

This definitive registered Bond is evidence of entitlement only. Title to the Bonds passes only on due registration on the register of Bondholders and only the duly registered holder is entitled to payments in respect of this definitive registered Bond.

This definitive registered Bond shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

This definitive registered Bond is governed by, and shall be construed in accordance with, English law.

Issued as of 7 January 2005

**MILlicom INTERNATIONAL CELLULAR S.A.**

By:

NEITHER THIS SECURITY NOR ANY BOND EVIDENCED HEREBY NOR ANY SWEDISH DEPOSITARY RECEIPT (“SDR”) OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN NOR ANY BOND EVIDENCED HEREBY NOR ANY SDR OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM.



**THE BANK OF NEW YORK**

(as Registrar)

By:

Authorised Signatory

Dated:

On the back:

[The Terms and Conditions of the Bonds will be inserted]

## FORM OF TRANSFER

FOR VALUE RECEIVED the undersigned hereby transfers to

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE)

U.S.\$ \_\_\_\_\_ principal amount of the Bonds in respect of which this certificate is issued, and all rights under it or them, and irrevocably constitutes and appoints \_\_\_\_\_ as attorney to transfer such principal amount on the books kept for registration thereof, with full power of substitution.

Dated:

## Certifying Signature

Name:

Notes:

- (i) A representative of the Bondholder should state the capacity in which he signs, *e.g.*, executor.
- (ii) The signature of the persons effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the relevant Paying, Transfer and Conversion Agent or the Registrar may require.
- (iii) This form of transfer should be dated as of the date it is deposited for transfer in accordance under the Conditions.

**Schedule 2**  
**Form of Original Global Bond**

Common Code: 020761989

ISIN: XS0207619890

**MILlicom INTERNATIONAL CELLULAR S.A.**

*société anonyme*  
75, route de Longwy  
L-8080 Bertrange  
R.C.S. Luxembourg B.40.630

**U.S.\$200,000,000 4.00 per cent. Convertible Bonds due 2010**

**convertible into Ordinary Shares in the form of Ordinary Shares or Swedish Depositary Receipts of**

**MILlicom INTERNATIONAL CELLULAR S.A.**

The Bonds in respect of which this Global Bond is issued form part of the series designated as specified in the title (the “**Bonds**”) of Millicom International Cellular S.A. (the “**Issuer**”), a public limited liability company (*société anonyme*), incorporated for an unlimited duration under the laws of the Grand Duchy of Luxembourg pursuant to a notarial deed dated 16 June 1992, published in the *Mémorial, Recueil des Sociétés et Associations, Journal Officiel du Grand-Duché de Luxembourg*, C-No 395 of 11 September 1992 on page 18944. The articles of incorporation of the Issuer have been most recently amended following a notarial deed dated 16 December 2004 and are in the process of being published in the *Mémorial, Recueil des Sociétés et Associations, Journal Officiel du Grand-Duché de Luxembourg*. The Issuer is registered with the Luxembourg trade and companies register under number B.40.630 and has presently a subscribed share capital of \$199,999,800 (one hundred ninety-nine million nine hundred ninety-nine thousand eight hundred) divided into 133,333,200 (one hundred thirty three million three hundred thirty-three thousand two-hundred) shares with a par value of \$1.50 (one point fifty) each. As at 21 December 2004, the issued share capital of the Issuer is \$148,837,788, divided into 99,225,192 ordinary shares.

***The aggregate outstanding amount of Bonds issued by the Issuer is as indicated in the records of the Issuer. The Issuer shall at all times arrange for information on the aggregate amount of the Bonds outstanding under this issue (and on guarantees pertaining thereto) to be provided, upon reasonable request in writing, to the holder hereof.***

The Issuer hereby certifies that The Bank of New York Depository (Nominees) Limited is, at the date hereof, entered in the register of Bondholders as the holder of Bonds in the principal amount of

U.S.\$200,000,000

(Two hundred million United States dollars)

or such other amount as is shown on the register of Bondholders as being represented by this Global Bond and is duly endorsed (for information purposes only) in the third column of Schedule A to this Global Bond. For value received, the Issuer promises to pay the person who appears at the relevant time on the register of Bondholders as holder of the Bonds in respect of which this Global Bond is issued, such amount or amounts as shall become due and payable from time to time in respect of such Bonds and otherwise to comply with the Conditions referred to below.

The Bonds are constituted by a Trust Deed dated 7 January 2005 (the “**Trust Deed**”) between the Issuer and The Bank of New York as trustee (the “**Trustee**”) and are subject to the Trust Deed and the terms and conditions (the “**Conditions**”) set out in Schedule 4 to the Trust Deed, as modified by the provisions of this Global Bond. Terms defined in the Trust Deed have the same meaning when used herein.

This Global Bond is evidence of entitlement only.

Title to the Bonds passes only on due registration of Bondholders and only the duly registered holder is entitled to payments on Bonds in respect of which this Global Bond is issued.

## **Exchange**

This Global Bond will be convertible in whole but not in part (free of charge to the holder by the Issuer, the Registrar or the Paying and Conversion Agents) for individual Bond certificates in registered form following the occurrence of an Exchange Event. An Exchange Event shall have occurred if (i) Euroclear or Clearstream, Luxembourg (or any alternative successor clearing system on behalf of which the Global Bond may be held) is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available or (ii) if the Issuer has satisfied the Trustee that it would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction in which the Issuer is for the time being incorporated which would not be suffered were the Bonds in definitive form and a certificate to such effect signed by two directors or duly authorised Officers of the Issuer is delivered to the Trustee. Thereupon (in the case of (i) above) the holder may give notice to the Trustee, and (in the case of (ii) above) the Issuer may give notice to the Trustee and the Bondholders, of its intention to exchange the Global Bond for definitive bonds on or after the Global Exchange Date (as defined below) specified in the relevant notice. In the circumstances set out above, any individual Bond certificates issued in exchange for beneficial interests in this Global Bond will, on or after the Global Exchange Date, be issued to and delivered to such persons and registered in such name or names, as the case may be, as the holder of this Global Bond shall instruct the Registrar.

“**Global Exchange Date**” means a day falling not later than 60 days after that on which the notice requiring exchange is given or, as the case may be, the occurrence of an Exchange Event and on which banks are open for business in the city in which the specified office of the Registrar is located.

In such circumstances, the Issuer will cause sufficient individual Bond certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. A person with an interest in the Bonds in respect of which this Global Bond is issued must provide the Registrar with a written order containing instructions and other such information as the Issuer and the Registrar may require to complete, execute and deliver such individual Bond certificates.

The provisions of Condition 4 will otherwise apply, except that new certificates to be issued upon transfer of Bonds will, within 21 days of receipt by the Registrar or an Agent of the form of transfer attached to this Global Bond, be mailed by uninsured mail at the risk of the holders entitled to the relevant Bonds to the addresses specified in the form of transfer.

The Conditions are modified as follows in so far as they apply to the Bonds in respect of which this Global Bond is issued.

## **Meetings**

The holder hereof shall be treated as having one vote in respect of each U.S.\$10,000 principal amount of Bonds represented by this Global Bond. The Trustee may allow to attend and speak (but not to vote) at any meeting of Bondholders any accountholder (or the representative of any such person) of a clearing system with an interest in the Bonds represented by this Global Bond on confirmation of entitlement and proof of his identity.

## **Conversion**

Subject to the requirements of Euroclear and Clearstream, Luxembourg, the Conversion Right attaching to Bonds represented by this Global Bond may be exercised by the presentation of one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest in such Bond together with this Global Bond to the specified office of any Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of this Global Bond for such purpose for annotation. The provisions of Condition 6 of the Bonds will otherwise apply.

### **Redemption at the Option of the Issuer and Redemption for Taxation Reasons**

The options of the Issuer provided for in Condition 7(b) and Condition 7(c) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in, and containing the information required by, those Conditions.

### **Trustee's Powers**

In considering the interests of Bondholders the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (a) have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator or a participant in such system as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds represented by this Global Bond.

### **Enforcement**

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Bonds represented by this Global Bond shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Bonds set out in the certificate of the holder as if they were themselves the holders of Bonds in such principal amounts.

### **Purchase and Cancellation**

Cancellation of any Bond following its purchase, redemption or the exercise of Conversion Rights will be effected by a reduction in the principal amount of the Bonds in the Register.

### **Payments**

Payments of principal in respect of Bonds represented by this Global Bond will be made against presentation and, if no further payment falls to be made in respect of the Bonds, surrender of this Global Bond at the specified office of the Registrar or any Paying, Transfer and Conversion Agent or such other Agent as shall have been notified to the holder of this Global Bond for such purpose.

### **Notices**

So long as Bonds are represented by this Global Bond and this Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg, notices to the holders of such Bonds may be given by delivery of the relevant notice to the relevant clearing system for communication by it to entitled accountholders in substitution for notification, as required by the Conditions and such notice will be deemed to have been given on the day after delivery thereof except that so long as the Bonds are

listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices shall also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

### **Put Option**

The option of the Bondholders in Condition 7(f) may be exercised by the holder of the Global Bond giving notice at the specified office of any Paying, Transfer and Conversion Agent of the principal amount of Bonds in respect of which the option is exercised and presenting the Global Bond for endorsement of exercise within the time limits specified in Condition 7(f).

This Global Bond shall not be valid for any purpose until authenticated by or on behalf of the Registrar.

This Global Bond is governed by, and shall be construed in accordance with, English law.

**In Witness** whereof the Issuer has caused this Global Bond to be signed on its behalf.

Dated 7 January 2005

**MILlicom INTERNATIONAL CELLULAR S.A.**

By:

By:

Authorised Director/Authorised Officer

Authorised Director/Authorised Officer

NEITHER THIS SECURITY NOR ANY BOND EVIDENCED HEREBY NOR ANY SWEDISH DEPOSITARY RECEIPT (“SDR”) OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN NOR ANY BOND EVIDENCED HEREBY NOR ANY SDR OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM.

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### **Certificate of Authentication**

Certified that the above-named holder is at the date hereof entered in the register of Bondholders as holder of the above-mentioned principal amount of Bonds.

**THE BANK OF NEW YORK**

(as Registrar)

By:

Authorised Signatory

Dated 7 January 2005

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### **SCHEDULE A**

#### **SCHEDULE OF INCREASE OR REDUCTION IN PRINCIPAL AMOUNT OF THE BONDS REPRESENTED BY THIS GLOBAL BOND IS ISSUED**

The following increases or reductions in the principal amount of the Bonds represented by this Global Bond have been made as a result of (i) any further issues or (ii) exercise of Conversion Rights or (iii) redemption or purchase and cancellation of Bonds:

<b>Date of Conversion/Transfer/ Redemption/ Purchase and cancellation /Issue (stating which)</b>	<b>Amount of increase or decrease in principal amount of Bonds represented by this Global Bond</b>	<b>Principal amount of Bonds represented by this Global Bond following such increase or decrease</b>	<b>Notation made by or on behalf of the Principal Paying, Transfer and Conversion Agent</b>

### Form of Transfer

FOR VALUE RECEIVED the undersigned transferor hereby transfers the following principal amounts of Bonds being the amount which the Global Bond represents, and all rights in respect thereof, to the undersigned transferee(s) listed below:

Principal Amount transferred

Name, address and account  
for payments of transferee

Dated:

Certifying Signature

Name:

Notes:

- (i) A representative of the Bondholder should state the capacity in which he signs *e.g.*, executor.
- (ii) The signature of the persons effecting a transfer shall conform to any list of duly authorised specimen signatures supplied by the registered holder or be certified by a recognised bank, notary public or in such other manner as the Principal Paying and Conversion Agent or the Registrar may require.
- (iii) This form of transfer should be dated as of the date it is deposited for transfer in accordance with the Conditions.

### Schedule 3 Provisions for meetings of Bondholders

**1** As used in this Schedule, the following expressions shall have the following meanings, unless the context otherwise requires:

**1.1** “**voting certificate**” means a certificate in the English language issued by a Paying, Transfer and Conversion Agent and dated in which it is stated:

- 1.1.1 that on that date bearer Bonds (not being Bonds in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjournment of such meeting) bearing specified serial numbers were held to the order of such Paying, Transfer and Conversion Agent (to its satisfaction) and that such Bonds will not be released until the earlier of:
- (a) the conclusion of the meeting specified in such certificate or any adjournment of it; and
  - (b) the surrender of the voting certificate to the Paying, Transfer and Conversion Agent which issued it; and

- 1.1.2 that its bearer is entitled to attend and vote at such meeting or any adjournment of it in respect of the Bonds represented by such voting certificate;

**1.2 “block voting instruction”** means a document in the English language issued by a Paying, Transfer and Conversion Agent and dated in which:

- 1.2.1 it is certified that bearer Bonds (not being Bonds in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction or any adjournment of it) are held to the order of such Paying, Transfer and Conversion Agent (or to its order at a bank or other satisfaction) and that such Bonds will not be released until the earlier of:
- (i) the conclusion of the meeting specified in such document or any adjournment of it; and
  - (ii) the surrender, not less than 48 hours before the time fixed for such meeting or adjournment, of the receipt for each such deposited Bond which is to be released to the Paying, Transfer and Conversion Agent which issued it and the notification of such surrender by such Paying, Transfer and Conversion Agent to the Issuer;
- 1.2.2 it is certified that each depositor of such Bonds or a duly authorised agent on his behalf has instructed such Paying, Transfer and Conversion Agent that the votes attributable to his Bonds so deposited should be cast in a particular way in relation to the resolution to be put to such meeting or any adjournment of it and that all such instructions are, during the period of 48 hours before the time fixed for such meeting or adjournment, neither revocable nor subject to amendment;
- 1.2.3 the total numbers and the serial numbers of the Bonds so deposited are listed, distinguishing with regard to each such resolution between those in respect of which instructions have been so given (i) to vote for, and (ii) to vote against, the resolution; and

- 1.2.4 any person named in such document as a proxy is authorised and instructed by such Paying, Transfer and Conversion Agent to vote in respect of the Bonds so listed in accordance with the instructions referred to in paragraph 1.2.3 above as set out in such document.

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- 2.1 A holder of a bearer Bond may obtain a voting certificate from a Paying, Transfer and Conversion Agent or require a Paying, Transfer and Conversion Agent to issue a block voting instruction by depositing his Bond with such Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for any meeting. Voting certificates and block voting instructions shall be valid until the relevant Bonds are released pursuant to paragraph 1 and until then the holder of any such voting certificate or (as the case may be) the proxy named in any such block voting instruction shall, for all purposes in connection with any meeting or proposed meeting of Bondholders, be deemed to be the holder of the Bonds to which such voting certificate or block voting instruction relates and the Paying, Transfer and Conversion Agent with which (or to the order of which) such Bonds have been deposited shall be deemed for such purposes not to be the holder of those Bonds.
- 2.2 A holder of a Bond in registered form may by an instrument in writing (a “**form of proxy**”) in the form available from any Agent in English signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation and delivered to any Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for any meeting, appoint any person as a proxy (a “**proxy**”) to act on his or its behalf in connection with any meeting or proposed meeting of Bondholders.

- 2.3 A holder of a Bond in registered form which is a corporation may, by delivering to any Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for any meeting a resolution in English of its directors or other governing body, authorise any person to act as its representative (a “**representative**”) in connection with any meeting or proposed meeting of Bondholders.
- 2.4 A proxy or representative so appointed shall so long as such appointment remains in force be deemed, for all purposes in connection with any meeting or proposed meeting of Bondholders specified in such appointment, to be the holder of the Bonds to which such appointment relates and the holder of the Bonds shall be deemed for such purposes not to be the holder.
- 3 Each of the Issuer and the Trustee at any time may, and the Trustee (subject to its being indemnified to its satisfaction against all costs and expenses thereby occasioned) upon a request in writing of Bondholders holding not less than one-tenth in principal amount of the Bonds for the time being outstanding shall, convene a meeting of Bondholders. Whenever any such party is about to convene any such meeting it shall forthwith give notice in writing to each other party of the day, time and place of the meeting and of the nature of the business to be transacted at it. Every such meeting shall be held at such time and place as the Trustee may approve.
- 4 At least 21 days’ notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the day, time and place of meeting shall be given to the Bondholders. A copy of the notice shall in all cases be given by the party convening the meeting to each of the other parties. Such notice shall also specify, unless in any particular case the Trustee otherwise agrees, the nature of the resolutions to be proposed and that

the holders of Bonds may appoint proxies by executing and delivering a form of proxy in the English language to the specified office of a Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for the meeting or, in the case of corporations, may appoint representatives by resolution in the English language of their directors or other governing body and by delivering an executed copy of such resolution to the Paying, Transfer and Conversion Agent not later than 48 hours before the time fixed for the meeting.

- 5 A person (who may, but need not, be a Bondholder) nominated in writing by the Trustee may take the chair at every such meeting but if no such nomination is made or if at any meeting the person nominated shall not be present within 15 minutes after the time fixed for the meeting the Bondholders present shall choose one of their number to be chairman, failing which the Issuer may appoint a chairman. The chairman of an adjourned meeting need not be the same person as was chairman of the original meeting.
- 6 At any such meeting any one or more persons present in person holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-tenth in principal amount of the Bonds for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more persons present in person holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding provided that at any meeting the business of which includes any of the matters specified in the proviso to paragraph 19 the quorum shall be one or more persons present in person holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than three-quarters in principal amount of the Bonds for the time being outstanding.
- 7 If within 15 minutes from the time fixed for any such meeting a quorum is not present the meeting shall, if convened upon the requisition of Bondholders, be dissolved. In any other case it shall stand adjourned (unless the Issuer and the Trustee agree that it be dissolved) for such period, not being less than 14 days nor more than 42 days, and to such place, as may be decided by the chairman. At such adjourned meeting one or more persons present in person holding Bonds or voting certificates or being proxies or representatives (whatever the principal amount of the Bonds so held or represented) shall form a quorum and may pass any resolution and decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting provided that at any adjourned meeting at which is to be proposed an Extraordinary Resolution for the purpose of effecting any of the modifications specified in the proviso to paragraph 19 the quorum shall be one or more persons so present holding Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-half in principal amount of the Bonds for the time being outstanding.
- 8 The chairman may with the consent of (and shall if directed by) any meeting adjourn such meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.



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- 9 At least 10 days' notice of any meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and such notice shall state the quorum required at such adjourned meeting. It shall not, however, otherwise be necessary to give any notice of an adjourned meeting.
- 10 Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) which he may have as a Bondholder or as a holder of a voting certificate or as a proxy or representative.
- 11 At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman, the Issuer, the Trustee or by one or more persons holding one or more Bonds or voting certificates or being proxies or representatives and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Bonds for the time being outstanding, a declaration by the chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 12 If at any meeting a poll is so demanded, it shall be taken in such manner and (subject as provided below) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuation of the meeting for the transaction of any business other than the question on which the poll has been demanded.
- 13 Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- 14 The Issuer and the Trustee (through their respective representatives) and their respective financial and legal advisers may attend and speak at any meeting of Bondholders. No one else may attend at any meeting of Bondholders or join with others in requesting the convening of such a meeting unless he is the holder of a Bond or a voting certificate or is a proxy or a representative.
- 15 At any meeting on a show of hands every person who is present in person and who produces a Bond or voting certificate or is a proxy or a representative shall have one vote and on a poll every person who is so present shall have one vote in respect of each U.S.\$10,000 (or, in the case of meetings of holders of Bonds denominated in another currency, as the Trustee in its absolute discretion may decide) in principal amount of the Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy or a representative. Without prejudice to the obligations of proxies named in any block voting instruction, any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.
- 16 The proxy named in any block voting instruction need not be a Bondholder.
- 17 Each block voting instruction shall be deposited at the registered office of the Issuer or at such other place as the Trustee shall designate or approve, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxy named in the block voting instruction proposes to vote, and in default the block voting instruction shall not be treated as valid unless the chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A notarially certified copy of

each such block voting instruction and satisfactory proof (if applicable) shall if required by the Trustee be produced by the proxy at the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of, or the authority of, the proxy named in any such block voting instruction.

- 18 Any vote given in accordance with the terms of a block voting instruction shall be valid even if the block voting instruction or any of the Bondholders' instructions pursuant to which it was executed has been previously revoked or amended, provided that no intimation in writing of such revocation or amendment shall have been received from the relevant Paying, Transfer and Conversion Agent by the Issuer or the Trustee at its registered office or by the chairman of the meeting in each case not less than 24 hours before the time fixed for the meeting or adjourned meeting at which the block voting instruction is used.
- 19 A meeting of Bondholders shall, subject to the Conditions, in addition to the powers given above, but without prejudice to any powers conferred on other persons by this Trust Deed, have power exercisable by Extraordinary Resolution:

- 19.1** to sanction any proposal by the Issuer or the Trustee for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders against the Issuer or against any of its property whether such rights shall arise under this Trust Deed or otherwise;
- 19.2** to sanction any scheme or proposal for the exchange, substitution or sale of the Bonds for, or the conversion of the Bonds into, or the cancellation of the Bonds in consideration of, shares, depositary receipts, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other body corporate formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, depositary receipts, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;
- 19.3** to assent to any modification of this Trust Deed or the Bonds proposed by the Issuer or the Trustee;
- 19.4** to authorise anyone to concur in and do all such things as may be necessary to carry out and to give any authority, direction or sanction which under this Trust Deed or the Bonds is required to be given by Extraordinary Resolution;
- 19.5** to appoint any persons (whether Bondholders or not) as a committee or committees to represent the interests of the Bondholders and to confer upon such committee or committees any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution;
- 19.6** to approve a person proposed to be appointed as a new Trustee and to remove any Trustee;
- 19.7** to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under this Trust Deed; and
- 19.8** to discharge or exonerate the Trustee from any liability in respect of any act or omission for which it may become responsible under this Trust Deed or the Bonds;

provided that the special quorum provisions contained in the proviso to paragraph 6 and, in the case of an adjourned meeting, in the proviso to paragraph 7 shall apply in relation to

any Extraordinary Resolution for the purpose of paragraph 19.2 or 19.7 or for the purpose of making any modification to the provisions contained in this Trust Deed or the Bonds which would have the effect of:

- 19.8.1** modifying the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds; or
- 19.8.2** modifying or varying the Conversion Rights in respect of the Bonds; or
- 19.8.3** reducing or cancelling the principal amount, or interest on, the Bonds; or
- 19.8.4** increasing the Conversion Price other than in accordance with the Conditions; or
- 19.8.5** changing the currency of any payment in respect of the Bonds; or
- 19.8.6** modifying the provisions contained in this Schedule concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution; or
- 19.8.7** amending this proviso.
- 20** An Extraordinary Resolution passed at a meeting of Bondholders duly convened and held in accordance with this Trust Deed shall be binding upon all the Bondholders, whether or not present at such meeting and whether or not they vote in favour, and each of the Bondholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justify the passing of it.
- 21** Subject to paragraph 22, the expression “**Extraordinary Resolution**” means a resolution passed at a meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than three-quarters of the votes cast.
- 22** A resolution in writing signed by or on behalf of the holder or holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effectual as an Extraordinary Resolution passed at a

meeting of Bondholders duly convened and held in accordance with the provisions of this Schedule. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more holders of the Bonds.

- 23** Minutes of all resolutions and proceedings at every such meeting shall be made and entered in the books to be from time to time provided for that purpose by the Issuer or the Trustee and any such minutes, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of Bondholders, shall be conclusive evidence of the matters contained in them and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.
- 24** Subject to all other provisions contained in this Trust Deed the Trustee may without the consent of the Bondholders prescribe such further regulations regarding the holding of meetings of Bondholders and attendance and voting at them as the Trustee may in its sole discretion determine including particularly (but without prejudice to the generality of the foregoing) such regulations and requirements as the Trustee thinks reasonable:

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- 24.1** so as to satisfy itself that persons who purport to requisition a meeting in accordance with paragraph 3 or who purport to make any requisition to the Trustee in accordance with this Trust Deed are in fact Bondholders; and
- 24.2** as to the form of voting certificates or block voting instructions to be issued pursuant to paragraph 1 so as to satisfy itself that persons who purport to attend or vote at any meeting of Bondholders are entitled to do so in accordance with this Trust Deed.
- 25** If and whenever the Issuer shall have issued and have outstanding any Bonds which are not identical and do not form one single series then those Bonds which are in all respects identical shall be deemed to constitute a separate series of the Bonds and the foregoing provisions of this Schedule shall have effect subject to the following modifications:
- 25.1** a resolution which in the opinion of the Trustee affects one series only of the Bonds shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Bonds of that series;
- 25.2** a resolution which in the opinion of the Trustee affects more than one series of the Bonds but does not give rise to a conflict of interest between the holders of Bonds of any of the series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Bonds of all the series so affected;
- 25.3** a resolution which in the opinion of the Trustee affects more than one series of the Bonds and gives or may give rise to a conflict of interest between the holders of the Bonds of any of the series so affected shall be deemed to have been duly passed only if it shall be duly passed at separate meetings of the holders of the Bonds of each series so affected; and
- 25.4** to all such meetings as aforesaid all the preceding provisions of this Schedule shall *mutatis mutandis* apply as though references therein to Bonds and holders were references to the Bonds of the series or group of series in question and to the holders of such Bonds respectively.
- 26** If the Issuer shall have issued and have outstanding (a) Bonds which are not denominated in United States dollars or (b) more than one series of Bonds denominated in United States dollars but in differing denominations, the following provisions shall apply. In the case of any meeting of holders of Bonds of more than one currency the principal amount of such Bonds not denominated in United States dollars shall (i) for the purposes of paragraph 3 above be the equivalent in United States dollars at the spot rate of a bank nominated by the Trustee for the conversion of the relevant currency or currencies into United States dollars on the seventh dealing day prior to the day on which the request in writing is received by the Trustee and (ii) for the purposes of paragraphs 6, 7, 11 and 15 above (whether in respect of the meeting, or any adjourned such meeting or any poll resulting therefrom) be the equivalent in United States dollars at such spot rate on the seventh dealing day (as defined above) prior to the day of such meeting or, if applicable, the taking of such poll. In such circumstances, and where separate series of Bonds denominated in United States dollars but of different denominations are to be treated together for the purposes of this Schedule, on any poll each person present shall have one vote for every complete one United States dollar of Bonds (converted as above) which he holds.
- 27** Nothing in this Trust Deed shall prevent any of the proxies named in any block voting instruction or form of proxy from being a director, managing director, officer or representative of, or otherwise connected with, the Issuer or any of its subsidiaries.

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- 28 References in this Schedule to Agents shall, where the context requires, be taken to be references to Paying, Transfer and Conversion Agent.
- 29 For the avoidance of doubt, the provision of Article 86 to 94-8 of the Luxembourg law of 10 August 1915 concerning commercial companies, as amended, shall not apply in respect of the Bonds.

#### Schedule 4

##### Terms and Conditions of the Bonds

The issue of the U.S.\$200,000,000 4.00 per cent. Convertible Bonds due 2010 (the “**Bonds**”, which expression shall, unless otherwise indicated, include the U.S.\$25,000,000 principal amount of additional Bonds issued pursuant to the option to increase the principal amount of the Bonds (described in the Trust Deed referred to below) and any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds) was (save in respect of any such further Bonds) authorised by a resolution of the Board of Directors of Millicom International Cellular S.A. (the “**Issuer**”) passed on November 28, 2004. The Bonds are constituted by a trust deed dated January 7, 2005 (the “**Trust Deed**”) between the Issuer and The Bank of New York (the “**Trustee**”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the “**Conditions**”) are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying, Transfer and Conversion Agency Agreement dated January 7, 2005 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Trustee, The Bank of New York (the “**Principal Paying, Transfer and Conversion Agent**”, which expression shall include any successor as principal paying, transfer and conversion agent under the Agency Agreement), the paying, transfer and conversion agents for the time being (such persons, together with the Principal Paying, Transfer and Conversion Agent, being referred to below as the “**Paying, Transfer and Conversion Agents**”, which expression shall include their successors as Paying, Transfer and Conversion Agents under the Agency Agreement) and The Bank of New York in its capacity as registrar (the “**Registrar**”, which expression shall include any successor as registrar under the Agency Agreement). Copies of each of the Trust Deed and the Agency Agreement are available for inspection at the registered office for the time being of the Trustee (presently at 48<sup>th</sup> Floor, One Canada Square, London E14 5AL, United Kingdom), and at the specified offices of the Paying, Transfer and Conversion Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

#### 1 Form, Denomination, Title and Status

##### (a) Form and Denomination

The Bonds are in registered form, serially numbered, in principal amounts of U.S.\$10,000 or integral multiples thereof (“**authorised denominations**”).

The Bonds shall bear the following legend:

NEITHER THIS SECURITY NOR ANY BOND EVIDENCED HEREBY NOR ANY SWEDISH DEPOSITARY RECEIPT (“SDR”) OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR ANY STATE SECURITIES LAWS AND, ACCORDINGLY, NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN NOR ANY BOND EVIDENCED HEREBY NOR ANY SDR OR ORDINARY SHARE DELIVERABLE UPON CONVERSION OF ANY BOND EVIDENCED HEREBY MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED

(b) *Title*

Title to the Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related certificate, as

appropriate) or anything written on it or on the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder.

(c) *Status*

The Bonds constitute (subject to Condition 2) direct, unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, with all other existing and future unsecured and unsubordinated indebtedness of the Issuer but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 2 Negative Pledge

The Issuer shall not, and shall not permit any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate to, Incur or suffer to exist any Lien (other than Permitted Liens) on or with respect to any property or assets now owned or hereafter acquired to secure any Debt of the Issuer unless the Bonds are equally and rateably secured by such Lien; provided that, if the Debt secured by such Lien is subordinate or junior in right of payment to the Bonds, then the lien securing such Debt shall be subordinate or junior in priority to the Lien securing the Bonds at least to the same extent as such Debt is subordinate or junior to the Bonds.

## 3 Definitions

In these Conditions, unless otherwise provided:

“**Additional SDRs**” has the meaning provided in Condition 6(c).

“**Additional Shares**” has the meaning provided in Condition 6(c).

“**Affiliate**” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“**Asset Disposition**” means any transfer, conveyance, sale, lease or other disposition (including by way of a Sale and Leaseback Transaction) by the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate (including a consolidation or merger or other sale of any such Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate with, into or to another Person in a transaction in which such Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate ceases to be a Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate, but excluding a disposition by a Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate to the Issuer or a Restricted Subsidiary which is an 80% or more owned Subsidiary of the Issuer, by the Issuer to a Restricted Subsidiary of the Issuer which is an 80% or more owned Subsidiary of the Issuer, by any Restricted Subsidiary of a Restricted Affiliate to such Restricted Affiliate or an 80% or more owned Restricted Subsidiary of such Restricted Affiliate or by a Restricted

Affiliate to a Restricted Subsidiary of such Restricted Affiliate which is an 80% or more owned Subsidiary of such Restricted Affiliate) of (i) shares of Capital Stock (other than directors' qualifying shares) or other ownership interests of a Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate, (ii) substantially all of the assets of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate representing a division or line of business or (iii) other assets or rights of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate outside of the ordinary course of business (other than any disposition of Receivables and Related Assets in a Qualified Securitisation Transaction); provided that in each case the aggregate consideration for such transfer, conveyance, sale, lease or other disposition is equal to U.S.\$10 million or more; provided further that the term "Asset Disposition" shall not include (x) any transaction subject to, and permitted under Section 10.09 of the Indenture, or any other similar provisions of any indenture, instrument or agreement constituting any refinancing of the 10% Senior Notes or (y) any Permitted Investment.

**"Board of Directors"** means either the board of directors of the Issuer or any duly authorised committee of that board.

**"Board Resolution"** means a copy of a resolution certified by the President, Chief Executive Officer, any Director or the Secretary of the Board of Directors of the Issuer to have been duly adopted by the Board of Directors or a committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustee.

**"Bondholder"** and **"holder"** mean the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)) and, in the case of a joint holding, the first named person.

**"business day"** means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

**"Capital Lease Obligation"** of any Person means the obligation to pay rent or other payment amounts under a lease of real or personal property of such Person which is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person in accordance with International Financial Reporting Standards. The Stated Maturity of such obligation shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. The principal amount of Debt represented by such obligation shall be the capitalised amount thereof that would appear on the face of a balance sheet of such Person in accordance with International Financial Reporting Standards.

**"Capital Stock"** of any Person means any and all shares, interests, participation or other equivalents (however designated) of corporate stock or other equity participation, including partnership interests, whether general or limited, of such Person.

**"Cash Equivalents"** means, with respect to any Person, (i) Government Bonds, (ii) certificates of deposit and eurodollar time deposits and money market deposits, bankers' acceptances and overnight bank deposits, in each case issued by or with (A) Banque Invik up to an aggregate amount at any time outstanding not to exceed U.S.\$25 million or (B) a bank or trust company which is organised under the laws of the United States of America, any state thereof or any foreign country recognised by the United States, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$100 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation (as defined in Rule 436 under the Securities Act) or any money-market fund sponsored by a registered broker dealer or mutual fund distributor, (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) entered into with any financial institution meeting the qualifications specified in clause (ii) above, (iv) commercial paper having the highest rating obtainable from Moody's or S&P and in each case maturing within six months after the date of acquisition, (v) with respect to any Person organised under the laws of, or having its principal business operations in, a jurisdiction outside Luxembourg or the United States, those investments that are comparable to clauses (i), (ii), (iii) and (iv) in the country in which such Person is organised or conducting business; and (vi) up to U.S.\$2 million in aggregate of other Investments held by Restricted Subsidiaries of the Issuer, Restricted Affiliates or Restricted Subsidiaries of Restricted Affiliates.



**“Change of Control”** will be deemed to have occurred at such time as either (a) any Person (other than a Permitted Holder) or any Persons acting together that would constitute a “group” (a **“Group”**) for purposes of Section 13(d) of the Exchange Act, or any successor provision thereto (other than Permitted Holders), together with any Affiliates thereof, shall beneficially own (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision thereto) at least 50% of the aggregate voting power of all classes of Voting Stock of the Issuer, other than pursuant to an Exempt Newco Scheme; or (b) any Person or Group (other than Permitted Holders), together with any Affiliates thereof, shall succeed in having a sufficient number of its nominees elected to the Board of Directors of the Issuer such that such nominees, when added to any existing director remaining on the Board of Directors of the Issuer after such election who was a nominee of or is an Affiliate of such Person or Group, will constitute a majority of the Board of Directors of the Issuer.

**“Change of Control Triggering Event”** will be deemed to have occurred if a Change of Control has occurred and a Rating Decline occurs.

**“Closing Date”** means January 7, 2005.

**“Consolidated Corporate and Licence Acquisition Expense”** means, with respect to the Issuer, (i) costs of head office personnel salaries, rent, and other head office expenses and (ii) costs (other than capitalised costs) incurred in seeking new licenses.

**“Consolidated Income Tax Expense”** for any period means the consolidated provision for income taxes of the Issuer and its Restricted Group for such period calculated on a consolidated basis in accordance with International Financial Reporting Standards.

**“Consolidated Interest Expense”** means for any period the consolidated interest expense included in a consolidated income statement (without deduction of interest income) of the Issuer and its Restricted Group for such period calculated on a consolidated basis in accordance with International Financial Reporting Standards including without limitation or duplication (or, to the extent not so included, with the addition of), (i) the amortisation of Debt discounts; (ii) any payments or fees with respect to letters of credit, bankers’ acceptances or similar facilities; (iii) fees with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements; (iv) Preferred Stock dividends (other than with respect to Redeemable Stock) declared and paid or payable; (v) accrued Redeemable Stock dividends, whether or not declared or paid; (vi) interest on Debt guaranteed by the Issuer and any member of its Restricted Group; and (vii) the portion of any rental obligation allocable to interest expense.

**“Consolidated Net Income”** for any period means the consolidated net income (or loss) of the Issuer and its Restricted Group for such period determined on a consolidated basis in accordance with International Financial Reporting Standards; provided that there shall be excluded therefrom (without duplication) (a) the net income (or loss) of any Person acquired by the Issuer or a member of its Restricted Group in a pooling-of-interests transaction for any period prior to the date of such transaction, (b) the net income (or loss) of any Person that is not a member of the Restricted Group of the Issuer except to the extent of the amount of dividends or other distributions actually paid to the Issuer or a member of its Restricted Group by such Person during such period, (c) gains or losses on Asset Dispositions by the Issuer or any member of its Restricted Group other than in the ordinary course of business, (d) all extraordinary gains and extraordinary losses, (e) the cumulative effect of changes in accounting principles, (f) non-cash gains or losses resulting from fluctuations in currency exchange rates and (g) the tax effect of any of the items described in clauses (a) through (f) above.

**“Conversion Date”** has the meaning provided in Condition 6(h).

**“Conversion Notice”** has the meaning provided in Condition 6(h).

**“Conversion Period”** has the meaning provided in Condition 6(a).

**“Conversion Price”** has the meaning provided in Condition 6(a).

**“Conversion Right”** has the meaning provided in Condition 6(a).

**“Current Market Price”** means, in respect of an Ordinary Share at a particular date, the arithmetic average of the Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement); or
- (b) if the Ordinary Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based

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on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

**“dealing day”** means a day on which the Relevant Exchange or relevant exchange or securities market is open for business, other than a day on which the Relevant Exchange or relevant exchange or securities market is scheduled to or does close prior to its regular weekday closing time.

**“Debt”** means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent, (i) the principal of and premium, if any, in respect of every obligation of such Person for money borrowed, (ii) the principal of and premium, if any, in respect of every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses, (iii) every reimbursement obligation of such Person with respect to letters of credit, bankers’ acceptances or similar facilities issued for the account of such Person (other than such obligations that are reimbursed within five business days following receipt by such Person of a demand for reimbursement), (iv) every obligation of such Person issued or assumed as the deferred purchase price of property or services (including securities repurchase agreements but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith), (v) every Capital Lease Obligation of such Person, (vi) all sales of Receivables and Related Assets of such Person, together with any obligation of such Person to pay any discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith, (vii) all Redeemable Stock issued by such Person, (viii) the net obligation under Interest Rate, Currency or Commodity Price Agreements of such Person and (ix) every obligation of the type referred to in clauses (i) through (viii) of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable, directly or indirectly, as obligor, Guarantor or otherwise). The “amount” or “principal amount” of Debt at any time of determination as used herein represented by (a) any Debt issued at a price that is less than the principal amount at maturity thereof, shall be the amount of the liability in respect thereof determined in accordance with International Financial Reporting Standards, (b) any sale of Receivables and Related Assets,



shall be the amount of the unrecovered capital or principal investment of the purchaser (other than the Issuer or a Wholly Owned Restricted Subsidiary of the Issuer) thereof, excluding amounts representative of yield or interest earned on such investment, and (c) any Redeemable Stock, shall be the maximum fixed redemption or repurchase price in respect thereof. Notwithstanding anything else to the contrary, for all purposes under these Conditions, the amount of Debt Incurred, repaid, redeemed, repurchased or otherwise acquired by a Restricted Subsidiary of the Issuer, a Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate shall equal the liability in respect thereof determined in accordance with International Financial Reporting Standards and reflected on the Issuer's consolidated balance sheet.

“**Depository**” means Fischer Partners Fondkommission AB as Swedish depository under the Swedish Deposit Agreement, or the successor from time to time in such capacity.

“**Dividend**” means any dividend or distribution (including a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

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- (a) where a cash Dividend is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of a cash Dividend, then for the purposes of this definition the Dividend in question shall be treated as a Dividend of the greater of (i) such cash Dividend and (ii) the Fair Market Value (on the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined)), of such Ordinary Shares or other property or assets;
- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Issuer by the Issuer or any Subsidiary of the Issuer shall not constitute a Dividend unless, in the case of purchases or buy backs of Ordinary Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a “**Specified Share Day**”) in respect of such purchases or buy backs (translated, if not in U.S. dollars, into U.S. dollars at the spot rate ruling at the close of business on such day as determined in good faith by an Independent Financial Adviser (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Exchange (as published by or derived from the Relevant Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases approved by a general meeting of Shareholders of the Issuer or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase shall be deemed to constitute a Dividend in U.S. dollars to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into U.S. dollars as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased; and
- (d) if the Issuer or any of its Subsidiaries shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

“**equity share capital**” means, in relation to a company, its issued share capital excluding any part of that capital which, neither as regards dividends nor as regards capital, carries any right to participate beyond a specified amount in a distribution.

“**Event of Default**” has the meaning set forth in Condition 10.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended (or any successor act) and the rules and regulations thereunder.

**“Exempt Newco Scheme”** means a Newco Scheme where immediately after completion of the relevant scheme of arrangement or analogous proceeding the ordinary shares of Newco are (1) admitted to listing on the New York Stock Exchange, the Luxembourg Stock Exchange or the Stockholm Stock Exchange or (2) quoted on NASDAQ or (3) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange plc’s market for listed securities or (4) admitted to listing on such other regulated, regularly operating, recognised stock exchange of securities as the Issuer or Newco may determine.

**“Fair Market Value”** means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided, that (i) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an

Independent Financial Adviser), the fair market value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five trading days on the relevant market commencing on such date (or, if later, the first such trading day such Spin-Off Securities options, warrants or other rights are publicly traded); and (iv) in the case of (i) converted into U.S. dollars (if declared or paid in a currency other than U.S. dollars) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in U.S. dollars; and in any other case, converted into U.S. dollars (if expressed in a currency other than U.S. dollars) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available).

**“Final Maturity Date”** means January 7, 2010.

**“Government Bonds”** means direct obligations of, or obligations guaranteed by, the United States of America for the payment of which obligations or guarantee the full faith and credit of the United States is pledged and which have a remaining weighted average life to maturity of not more than one year from the date of Investment therein.

**“Gradation”** means a gradation within a Rating Category or a change to another Rating Category, which shall include: (i) “+” and “-” in the case of S&P’s current Rating Categories (e.g., a decline from BB+ to BB would constitute a decrease of one gradation), (ii) 1, 2 and 3 in the case of Moody’s current Rating Categories (e.g., a decline from Ba1 to Ba2 would constitute a decrease of one gradation), or (iii) the equivalent in respect of successor Rating Categories of S&P or Moody’s or Rating Categories used by Rating Agencies other than S&P and Moody’s.

**“Guarantee”** by any Person means any obligation, contingent or otherwise, of such Person guaranteeing, or having the economic effect of guaranteeing, any Debt of any other Person (the **“primary obligor”**) in any manner, whether directly or indirectly, and including, without limitation, any obligation of such Person, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the holder of such Debt of the payment of such Debt, or (iii) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Debt (and **“Guaranteed”**, **“Guaranteeing”** and **“Guarantor”** shall have meanings correlative to the foregoing); provided, however, that the Guarantee by any Person shall not include endorsements by such Person for collection or deposit, in either case, in the ordinary course of business.

**“Incur”** means, with respect to any Debt or other obligation of any Person, to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation, including by acquisition of Subsidiaries (the Debt of any other Person becoming a Subsidiary of such Person being deemed for this purpose to have been incurred at the time such other Person becomes a Subsidiary), or the recording, as required pursuant to generally accepted accounting principles or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and **“Incurrence”**, **“Incurred”**, **“Incurable”** and **“Incurring”** shall have meanings

correlative to the foregoing); provided, however, that a change in generally accepted accounting principles that results in an obligation of such Person that exists at such time becoming Debt shall not be deemed an Incurrence of such Debt.

**“Indenture”** means the indenture between the Issuer and The Bank of New York with respect to the 10% Senior Notes.

**“Independent Financial Adviser”** means an investment bank of international repute appointed by the Issuer and approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed having regard to the interests of the Bondholders only) or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee) and the Trustee is indemnified to its satisfaction against the costs, fees and expenses of such adviser, appointed by the Trustee following notification to the Issuer.

**“Interest Payment Date”** has the meaning provided in Condition 5(a).

**“Interest Rate, Currency or Commodity Price Agreement”** of any Person means any forward contract, futures contract, swap, option or other financial agreement or arrangement (including, without limitation, caps, floors, collars and similar agreements) relating to, or the value of which is dependent upon, interest rates, currency exchange rates or commodity prices or indices (excluding contracts for the purchase or sale of goods in the ordinary course of business).

**“Investment”** by any Person means any direct or indirect loan, advance or other extension of credit or capital contribution (by means of transfers of cash or other property to others or payments for property or services for the account or use of others, or otherwise) to, or purchase or acquisition of Capital Stock, bonds, notes, debentures or other securities or evidence of Debt issued by, any other Person, including any payment on a Guarantee of any obligation of such other Person, but shall not include trade accounts receivable in the ordinary course of business on credit terms made generally available to the customers of such Person.

**“Investment Grade”** means (i) BBB- or above in the case of S&P (or its equivalent under any successor Rating Categories of S&P), (ii) Baa3 or above, in the case of Moody’ s (or its equivalent under any successor Rating Categories of Moody’ s), and (iii) the equivalent in respect of the Rating Categories of any Rating Agencies.

**“Lien”** means, with respect to any property or assets, any mortgage, pledge, security interest, lien, charge, encumbrance, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such property or assets (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

**“Luxembourg”** means the Grand Duchy of Luxembourg.

**“Luxembourg business day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in Luxembourg.

**“Mandatorily Exchangeable Notes”** means the 5% Fixed and Additional Rate Guaranteed Secured Mandatorily Exchangeable Notes due 2006 issued by Millicom Telecommunications S.A. and guaranteed by the Issuer, as the same may be outstanding from time to time.

**“Maturity”**, when used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

**“Minority Owned Affiliate”** of any specified Person means any other Person in which an Investment has been made by the specified Person other than a direct or indirect Subsidiary of the specified Person.

**“Moody’ s”** means Moody’ s Investor Service, Inc. and its successors.

“**NASDAQ**” means the National Association of Securities Dealers Automated Quotation System.

“**Net Available Proceeds**” from any Asset Disposition means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, instalment receivable or other receivable, but excluding any Related Assets and other consideration received in the form of assumption by the acquiror of Debt or other obligations relating to such properties or assets) therefrom by the Issuer or any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses Incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Asset Disposition, (ii) all payments made by the Issuer or any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate, on any Debt which is secured by such assets in accordance with the terms of any Lien upon or with respect to such assets or which must by the terms of such Debt or Lien, or in order to obtain a necessary consent to such Asset Disposition or by applicable law, be repaid out of the proceeds from such Asset Disposition, (iii) all distributions and other payments made to other equity holders in Restricted Subsidiaries of the Issuer, Restricted Affiliates or Restricted Subsidiaries of Restricted Affiliates, or joint ventures as a result of such Asset Disposition and (iv) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate, as the case may be, as a reserve in accordance with International Financial Reporting Standards, against any liabilities associated with such assets and retained by the Issuer or any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary

of a Restricted Affiliate, as the case may be, after such Asset Disposition, including, without limitation, liabilities under any indemnification obligations and severance and other employee termination costs associated with such Asset Disposition, in each case as determined by the Board of Directors, in its reasonable good faith judgment evidenced by a resolution of the Board of Directors filed with the Trustee; provided, however, that any reduction in such reserve within twelve months following the consummation of such Asset Disposition will be treated for all purposes of these Conditions and the Bonds as a new Asset Disposition at the time of such reduction with Net Available Proceeds equal to the amount of such reduction.

“**Newco Scheme**” means a scheme of arrangement or analogous proceeding which effects the interposition of a limited liability company (“**Newco**”) between the Shareholders of the Issuer immediately prior to the scheme of arrangement (the “**Existing Shareholders**”) and the Issuer, provided that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders and that all Subsidiaries of the Issuer immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after the scheme of arrangement.

“**Officer’s Certificate**” means a certificate signed by the President, Chairman of the Board, any Vice Chairman of the Board, any Director, the Chief Executive Officer, the Chief Financial Controller, or the Secretary of the Board of the Issuer, and delivered to the Trustee.

“**Operating Income**” for any period means the Consolidated Net Income of the Issuer and its Restricted Group for such period (A) plus the sum of (i) Consolidated Interest Expense of the Issuer and its Restricted Group for such period, (ii) Consolidated Income Tax Expense of the Issuer and its Restricted Group for such period, (iii) the consolidated depreciation and amortisation expense included in the income statement of the Issuer and its Restricted Group for such period, (iv) Consolidated Corporate and License Acquisition Expense of the Issuer and its Restricted Group for such period and (v) any other non-cash items reducing Consolidated Net Income (other than any such non-cash item to the extent that it represents an accrual of or reserve for cash expenditures in any future period required to be made by International Financial Reporting Standards), and (B) minus all non-cash items increasing Consolidated Net Income for such period (other than any such non-cash item to the extent that it will result in the receipt of cash payments in any future period); provided further that, in the event any of the Issuer, Restricted Affiliates or Restricted Subsidiaries of Restricted Affiliates have made Asset Dispositions or acquisitions of assets not in the ordinary course of business (including acquisitions of other Persons by merger, consolidation or purchase of Capital Stock) during or after such period, Operating Income shall be calculated on a pro forma basis as if the Asset Dispositions or acquisitions had taken place on the first day of such period.

“**Optional Redemption Date**” has the meaning provided in Condition 7(b).

**“Optional Redemption Notice”** has the meaning provided in Condition 7(b).

**“Ordinary Shares”** means fully paid shares of common stock in the capital of the Issuer currently with a par value of U.S.\$1.50 each.

**“Permitted Holder”** means Investment AB Kinnevik, Kinnevik B.V. and each of their Affiliates and the estate, spouse, ancestors, and lineal descendants of Jan H. Stenbeck, the legal representatives of any of the foregoing and the trustee of any bona fide trust of which the foregoing are the sole beneficiaries or the grantors, or any Person of which the foregoing “beneficially owns” (within the meaning of Rule 13d-3 and 13d-5 under the Exchange Act or any successor provision thereto) voting securities representing at least 66<sup>2</sup>/<sub>3</sub> % of the total voting power of all classes of Capital Stock of such Person (exclusive of any matters as to which class voting rights exist).

**“Permitted Investment”** means:

- (i) Investments in (i) Cash Equivalents or (ii) in the ordinary course of business, certificates of deposit and time deposits and money market deposits, bankers’ acceptances and overnight bank deposits, in each case issued by or with a bank or trust company which is organised under the laws of the jurisdiction in which the Restricted Subsidiary of the Issuer, the Restricted Affiliate or the Restricted Subsidiary of a Restricted Affiliate which makes such Investment operates; provided that the Issuer shall use its reasonable efforts to ensure that any such bank or trust company described in this clause (ii) is a credit-worthy institution;
- (ii) Investments by the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate in a Restricted Subsidiary of the Issuer that is primarily engaged in a Related Business, or Investments by any Restricted Affiliate or any Restricted Subsidiary of such Restricted Affiliate in a Restricted Subsidiary of such Restricted Affiliate that is primarily engaged in a Related Business;
- (iii) Investments by the Issuer or any Restricted Subsidiary of the Issuer in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of the Issuer that is primarily engaged in a Related Business or (ii) such Person is merged, consolidated or amalgamated into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer that is primarily engaged in a Related Business;
- (iv) Investments by a Restricted Affiliate or any Restricted Subsidiary of such Restricted Affiliate in a Person, if as a result of such Investment (i) such Person becomes a Restricted Subsidiary of such Restricted Affiliate that is primarily engaged in a Related Business or (ii) such Person is merged, consolidated or amalgamated into, or transfers or conveys all or substantially all of its assets to, or is liquidated into such Restricted Affiliate or a Restricted Subsidiary of such Restricted Affiliate that is primarily engaged in a Related Business;
- (v) Investments by the Issuer or any of its Restricted Subsidiaries in any Minority Owned Affiliate that has been properly designated as a Restricted Affiliate and that is primarily engaged in a Related Business, provided that as of fiscal year end, not less than 60% of the Issuer’s Pro Rata Portion of the aggregate cumulative direct and indirect investment in all members of the Issuer’s Restricted Group since December 1, 2004 shall be in the form of debt of such members of the Issuer’s Restricted Group, provided further that any such Investment shall cease to be a Permitted Investment pursuant to this clause (v) if and for so long as such Restricted Affiliate ceases to observe any of the provisions of the covenants that are applicable to such Restricted Affiliate;
- (vi) Investments acquired as consideration as permitted under Section 10.14 of the Indenture, or any other similar provision of any indenture, instrument or agreement constituting any refinancing of the 10% Senior Notes;
- (vii) Investments in a Securitisation Entity in connection with a Qualified Securitisation Transaction, which Investment consists of the transfer of Receivables and Related Assets;
- (viii) Investments by the Issuer (with respect to a Restricted Subsidiary of the Issuer in existence on December 1, 2004) or any Restricted Subsidiary of the Issuer (in existence on December 1, 2004) in a Person if as a result of such Investment or a merger, consolidation, amalgamation or conveyance, transfer, lease or contribution of properties and assets such Person becomes a Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate that is primarily engaged in a Related Business; provided that the Board of Directors of the Issuer shall determine as of the date of such transaction or business combination that it will not materially impair the Issuer’s ability to make payments on the Bonds; and



- (ix) Investments in a Restricted Subsidiary, a Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate in connection with the continuation of the business cooperation agreement in Vietnam; provided that such Investments are in a Related Business in Vietnam and are made solely pursuant to the requirements of the agreement or agreements effecting such continuation; and
- (x) Other Investments in Persons primarily engaged in Related Businesses, in an aggregate cumulative amount not to exceed U.S.\$50 million.

For the purpose of paragraph (x), only the Issuer's Pro Rata Portion of any Investment will be counted in determining the amount of Investment permitted to be made under such paragraph.

**“Permitted Liens”** means:

- (i) Liens to secure Debt ranking pari passu with the Bonds;
- 
- (ii) Liens for taxes, assessments or governmental charges or levies on the property of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision that shall be required in conformity with International Financial Reporting Standards shall have been made therefore;
  - (iii) Liens imposed by law, such as statutory Liens of landlords', carriers', warehousemen's and mechanics' Liens and other similar Liens, on the property of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate arising in the ordinary course of business and securing payment of obligations that are not more than 60 days past due or are being contested in good faith and by appropriate proceedings or Liens arising solely by virtue of any statutory or common law provisions relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution;
  - (iv) Liens on the property of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate Incurred in the ordinary course of business to secure performance of obligations with respect to statutory or regulatory requirements, performance bids, trade contracts, letters of credit performance or return-of-money bonds, surety bonds or other obligations of a like nature and Incurred in a manner consistent with industry practice, in each case which are not Incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property and which do not in the aggregate impair in any material respect the use of property in the operation of the business of the Issuer and the Restricted Group taken as a whole;
  - (v) Liens on property at the time the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate acquired such property, including any acquisition by means of a merger or consolidation with or into the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate; provided, however, that any such Lien may not extend to any other property of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate, provided, further, however, that such Liens shall not have been Incurred in anticipation of or in connection with the transaction or series of transactions pursuant to which such property was acquired by the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate;
  - (vi) Liens on the property of a Person at the time such Person becomes a Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate, provided, however, that any such Lien may not extend to any other property of the Issuer, any other Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate that is not a direct or, prior to such time, indirect Subsidiary of such Person; provided, further, however, that any such Lien was not Incurred in anticipation of or in connection with the transaction or series of transactions pursuant to which such Person became a Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate;
  - (vii) pledges or deposits by the Issuer, any Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Issuer, any

Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate is party, or deposits to secure public or statutory obligations of the Issuer, any Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate or deposits for the payment of rent, in each case Incurred in the ordinary course of business;

- (viii) utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character;

- (ix) any provision for the retention of title to any property by the vendor or transferor of such property which property is acquired by the Issuer, a Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate in a transaction entered into in the ordinary course of business of the Issuer, a Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate and for which kind of transaction it is customary market practice for such retention of title provision to be included;
- (x) Liens arising by means of any judgment, decree or order of any court, to the extent not otherwise resulting in a default hereunder, so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree or order have not been finally terminated or the period within which such proceedings may be initiated has not expired and any Liens that are required to protect or enforce rights in any administrative, arbitration or other court proceedings in the ordinary course of business;
- (xi) any Lien securing Debt permitted to be Incurred under any Permitted Interest Rate, Currency or Commodity Price Agreements (as defined in the Indenture) pursuant to Section 10.08(7) of the Indenture or any other similar provision of any indenture, instrument or agreement constituting refinancing of the 10% Senior Notes;
- (xii) Liens on and pledges of the Capital Stock of any Unrestricted Subsidiary to secure Debt of that Unrestricted Subsidiary;
- (xiii) (i) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer, any Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate has easement rights or on any real property leased by the Issuer, any Restricted Subsidiary of the Issuer, Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate or similar agreements relating thereto and (ii) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;
- (xiv) Liens existing on December 1, 2004;
- (xv) Liens in favour of the Issuer;
- (xvi) Liens on assets of a Securitisation Entity Incurred in connection with a Qualified Securitisation Transaction; and
- (xvii) Liens on the property of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate to secure any refinancing, in whole or in part, of any Lien described in the foregoing clauses (i) through (xv); provided that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Debt being refinanced or in respect of property that is the security for a Permitted Lien hereunder.

“**Person**” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof or any other entity.

“**Preferred Stock**” of any Person means Capital Stock of such Person of any class or classes (however designated) that ranks prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

“**Pro Rata Portion**” means, when applied to the Issuer for purposes of determining the amount of an Investment that will be deemed to be outstanding under a particular covenant or definition, that portion of such Net Available Proceeds or Investment as corresponds to the Issuer’s direct or indirect percentage ownership interest in the profits of the Person who engaged in the Asset Disposition or the Person in

whom the Investment was made, as applicable (which would be 100% in the case of any Investments made by the Issuer directly). The Pro Rata Portion of the Net Available Proceeds from an Asset Disposition shall be determined in good faith by the Issuer's Board of Directors in connection with such Asset Disposition. The

Pro Rata Portion of an Investment as of any date shall be determined in good faith either by the Issuer's Board of Directors or in accordance with procedures established as to such Investment by the Issuer's Board of Directors.

**"Put Date"** means, in respect of a Change of Control Triggering Event, the seventh day after the expiry of the Relevant Period.

**"Qualified Securitisation Transaction"** means any transaction or series of transactions that may be entered into by the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate pursuant to which the Issuer, such Restricted Subsidiary of the Issuer, such Restricted Affiliate or such Restricted Subsidiary of a Restricted Affiliate may sell, convey or otherwise transfer to (a) a Securitisation Entity (in the case of a transfer by the Issuer, such Restricted Subsidiary of the Issuer, such Restricted Affiliate or such Restricted Subsidiary of a Restricted Affiliate) and (b) any other Person (in the case of a transfer by a Securitisation Entity), or, in each case, may grant a security interest in, Receivables and Related Assets.

**"Rating Agencies"** means (i) S&P and Moody's or (ii) if S&P or Moody's or both of them are not making ratings of the Bonds publicly available, a nationally recognised U.S. rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for S&P or Moody's or both, as the case may be.

**"Rating Category"** means (i) with respect to S&P, any of the following categories (any of which may include a "+" or "-"): AAA, AA, A, BBB, BB, B, CCC, CC, C, R, SD and D (or equivalent successor categories); (ii) with respect to Moody's, any of the following categories (any of which may include a "1", "2" or "3"): Aaa, Aa, A, Baa, Ba, B, Caa, Ca, and C (or equivalent successor categories), and (iii) the equivalent of any such categories of S&P or Moody's used by another Rating Agency, if applicable.

**"Rating Decline"** will be deemed to have occurred if at any time within the earlier of (i) 90 days after the date of public notice of a Change of Control, or of the intention of the Issuer or of any Person to effect a Change of Control and (ii) the occurrence of the Change in Control (which period shall in either event be extended so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by a Rating Agency), the rating of the Bonds is decreased by either Rating Agency by one or more Gradations and the rating by both Rating Agencies on the Bonds following such downgrade is below Investment Grade.

**"Receivables and Related Assets"** means any account receivable (whether now existing or arising thereafter) of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate, and any assets, related thereto, including all collateral securing such accounts receivable, all contracts and contract rights and all Guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitisation transactions involving accounts receivable.

**"Redeemable Stock"** of any Person means any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or otherwise (including upon the occurrence of an event) matures or is required to be redeemed (pursuant to any sinking fund obligation or otherwise) or is convertible into or exchangeable for Debt or is redeemable at the option of the holder thereof, in whole or in part, at any time prior to the final Stated Maturity of the Bonds.

**"Reference Date"** has the meaning provided in Condition 6(a).

**"Register"** has the meaning provided in Condition 4(a).

**"Related Assets"** means all assets, rights (contractual or otherwise) and properties, whether tangible or intangible (including ownership interests), used or intended for use in connection with a Related Business.



**“Related Business”** means any business in which the Issuer, its Subsidiaries or Minority Owned Affiliates are engaged, directly or indirectly, that consist primarily of, or are related to, operating, acquiring, developing or constructing any telecommunications services and related businesses.

**“Relevant Date”** means, in respect of any Bond, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Bondholders in accordance with Condition 17 that, upon further presentation of the Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

**“Relevant Exchange”** means NASDAQ or if at the relevant time the Ordinary Shares are not at that time quoted on the NASDAQ, the principal stock exchange or securities market on which the Ordinary Shares are then listed or quoted or dealt in.

**“Relevant Period”** means the period commencing on the occurrence of a Change of Control or, as the case may be, a Change of Control Triggering Event and ending 60 calendar days following the Change of Control or, as the case may be, the Change of Control Triggering Event or, if later than 60 days following the date on which the Relevant Notice as required by Condition 6(g) in relation to the Relevant Event is given.

**“Restricted Affiliate”** means any direct or indirect Minority Owned Affiliate of the Issuer or a Restricted Subsidiary of the Issuer that has been designated in a Board Resolution as a Restricted Affiliate based on a determination by the Board of Directors that (i) the Issuer has, directly or indirectly, the requisite control over such Minority Owned Affiliate to prevent it from Incurring any Debt, or taking any other action at any time, in contravention of any of the provisions of these Conditions that are applicable to Restricted Affiliates or (ii) the Minority Owned Affiliate is a joint venture with at least one or more Strategic Investors. Upon designating any Minority Owned Affiliate as a Restricted Affiliate, the Issuer will be required to promptly deliver to the Trustee an Officer’s Certificate certifying that such designation complied with the Conditions and including a certified copy of the Board Resolution approving such designation.

**“Restricted Group”**, when used in respect of the Issuer, means the Issuer, the Restricted Subsidiaries and Restricted Affiliates of the Issuer, and the Restricted Subsidiaries of such Restricted Affiliates, taken together on a consolidated basis.

**“Restricted Subsidiary”** means any Subsidiary other than an Unrestricted Subsidiary.

**“Retroactive Adjustment”** has the meaning provided in Condition 6(c).

**“S&P”** means Standard & Poor’s Ratings Group, a division of McGraw Hill, Inc., a New York corporation and its successors.

**“Sale and Leaseback Transaction”** means any direct or indirect arrangement relating to assets or property now owned or hereafter acquired whereby the Issuer, a Restricted Subsidiary of the Issuer, a Restricted Affiliate or a Restricted Subsidiary of a Restricted Affiliate transfers such assets or property to another Person and the Issuer, such Restricted Subsidiary of the Issuer, such Restricted Affiliate or such Restricted Subsidiary of a Restricted Affiliate leases it from such Person.

**“SDRs”** mean Swedish Depositary Receipts representing Ordinary Shares issued by the Depositary pursuant to the Swedish Deposit Agreement.

**“Securities”** means any securities including, without limitation, shares or options, warrants or other rights to subscribe for or purchase or acquire shares.

**“Securities Act”** means the Securities Act of 1933, as amended (or any successor act) and the rules and regulations thereunder.

**“Securities Lending Agreement”** means the securities lending agreement between Millicom Telecommunications S.A. and Deutsche Bank AG London Branch with respect to the Tele2 AB shares for which the Mandatorily Exchangeable Notes are exchangeable.

**“Securitisation Entity”** means a Wholly Owned Restricted Subsidiary (or a Wholly Owned Subsidiary of another Person) to which the Issuer or any Subsidiary of the Issuer transfers Receivables and Related Assets, that engages in no activities other than in connection with the financing of accounts receivable and that is designated by the Board of Directors (as provided below) as a Securitisation Entity and

- (a) no portion of the Debt or any other obligations (contingent or otherwise) of which:
  - (i) is guaranteed by the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate (excluding Guarantees (other than the principal of, and interest on, Debt) pursuant to Standard Securitisation Undertakings);
  - (ii) is recourse to or obligates the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate (other than such Securitisation Entity) in any way other than pursuant to Standard Securitisation Undertakings; or
  - (iii) subjects any property or asset of the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate (other than such Securitisation Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitisation Undertakings;
- (b) with which neither the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate nor any Restricted Subsidiary of a Restricted Affiliate (other than such Securitisation Entity) has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes at the time it enters into such contract, agreement, arrangement or understanding to be no less favourable to the Issuer, such Restricted Subsidiary, such Restricted Affiliate or such Restricted Subsidiary of a Restricted Affiliate than those that might be obtained at the time from persons that are not Affiliates of the Issuer, other than fees payable in the ordinary course of business in connection with servicing accounts receivable of such entity; and
- (c) to which neither the Issuer, any Restricted Subsidiary of the Issuer, any Restricted Affiliate nor any Restricted Subsidiary of a Restricted Affiliate (other than such Securitisation Entity) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Upon designation of a Subsidiary as a Securitisation Entity, the Issuer shall promptly deliver to the Trustee an Officer's Certificate certifying that such designation complied with the Conditions and including a certified copy of the Board Resolution approving such designation.

**“Shareholders”** means the holders of Ordinary Shares.

**“Significant Restricted Group Member”** means (a) any Restricted Subsidiary of the Issuer, Restricted Affiliate or Restricted Subsidiary of a Restricted Affiliate which, for each of the two most recently completed fiscal years for which financial statements are available, accounted for 15% or more, or (b) any combination of two or more Restricted Subsidiaries of the Issuer, Restricted Affiliates or Restricted Subsidiaries of Restricted Affiliates which, for each of the two most recently completed fiscal years for which financial statements are available, together accounted for 30% or more, in each case, of Operating Income of the Issuer and its Restricted Group for such period (determined on a consolidated basis in accordance with International Financial Reporting Standards).

**“Specified Date”** has the meaning provided in Condition 6(b)(vii) and (viii).

**“Spin-Off”** means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or

- (b) any transfer of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Issuer or any of its Subsidiary.

**“Spin-Off Securities”** means equity share capital of an entity other than the Issuer.

**“Standard Securitisation Undertakings”** means representations, warranties, covenants and indemnities entered into by the Issuer, any Restricted Subsidiary, any Restricted Affiliate or any Restricted

Subsidiary of a Restricted Affiliate that are reasonably customary in an accounts receivable securitisation transaction.

**“Stated Maturity”**, when used with respect to any security or any instalment of interest thereon, means the date specified in such security as the fixed date on which the principal of such security or such instalment of interest is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the Issuer unless such contingency has occurred) and in relation to the Bonds means the Final Maturity Date.

**“Strategic Investor”** means a corporation, partnership or other entity engaged in one or more telecommunications businesses that (i) has, or is a Subsidiary of a Person that has, an equity market capitalisation in excess of U.S.\$2.0 billion or book equity in excess of U.S.\$1.0 billion, or (ii) in the good faith determination of the Board of Directors, has the largest market share in its home market.

**“Subsidiary”** of any Person means (i) a corporation more than 50% of the combined voting power of the outstanding Voting Stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof or (ii) any other Person (other than a corporation) in which such Person, or one or more other Subsidiaries of such Person or such Person and one or more other Subsidiaries thereof, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

**“Swedish Deposit Agreement”** means the Swedish Deposit Agreement dated 5 March 2004 between the Issuer and the Depositary, on the same may be amended, varied or supplemented and as amended and restated from time to time.

**“Unrestricted Affiliate”** means any Minority Owned Affiliate of the Company which is not a Restricted Affiliate.

**“Unrestricted Subsidiary”** means (1) Millicom Peru S.A., (2) any Subsidiary of the Issuer or a Restricted Affiliate designated as such by the Board of Directors as set forth below where no default with respect to any Debt, Lien or other obligation of such Subsidiary or any Subsidiary of such Subsidiary (including any right which the holders thereof may have to take enforcement action against such Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Debt of the Issuer and its Subsidiaries (other than another Unrestricted Subsidiary) or any Restricted Affiliate or any Restricted Subsidiary of a Restricted Affiliate to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its Stated Maturity and (3) any Subsidiary of an Unrestricted Subsidiary or an Unrestricted Affiliate. The Board of Directors may designate any Subsidiary of the Issuer or a Restricted Affiliate to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock or Debt of, or owns or holds any Lien on any property of, any other Subsidiary of the Issuer or such Restricted Affiliate which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; provided that either (x) the Subsidiary to be so designated has total assets of U.S.\$100,000 or less or (y) has otherwise been designated as an Unrestricted Subsidiary pursuant to and in accordance with the Indenture, and provided further that for so long as any of the 10% Senior Notes or any indebtedness relating to any such refinancing remains outstanding the Board of Directors may not designate any Subsidiary of the Issuer or a Restricted Affiliate to be an Unrestricted Subsidiary unless such Subsidiary shall have been designated as an Unrestricted Subsidiary pursuant to and in accordance with Indenture or any indenture, instrument or agreement relating to the refinancing of the 10% Senior Notes. Upon designation of a Subsidiary as an Unrestricted Subsidiary, the Issuer shall promptly deliver to

the Trustee an Officer's Certificate certifying that such designation complied with the Conditions and including a certified copy of the Board Resolution approving such designation.

**"Vice President"**, when used with respect to the Issuer, or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

**"Volume Weighted Average Price"** means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from the Relevant Exchange or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such

dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

References to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders **"as a class"** or **"by way of rights"** shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

For the purposes of Conditions 6(b), (c) and (f) and Condition 11 only, (a) references to the "issue" of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 6(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as **"in issue"**.

**"Voting Stock"** of any Person means Capital Stock of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person, whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

**"Wholly Owned Restricted Subsidiary"** of any Person means a Restricted Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Restricted Subsidiaries of such Person or by such Person and one or more Wholly Owned Restricted Subsidiaries of such Person.

**"Wholly Owned Subsidiary"** of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

“**2% Notes**” means the Issuer’s 2% Senior Convertible PIK Notes due 2006, as the same may be outstanding from time to time.

“**10% Senior Notes**” means the Issuer’s 10% Senior Notes due 2013 as the same may be outstanding from time to time.

## **4 Registration and Transfer of Bonds**

### *(a) Registration*

The Issuer will cause a register (the “**Register**”) to be kept at the registered office of the Issuer and at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

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### *(b) Transfer*

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred in whole or in part in an authorised denomination by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days in the place of the specified office of the Registrar of receiving any duly made application for the transfer of a Bond, deliver a new Bond, to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor), at the specified office of the Registrar, or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

### *(c) Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee.

### *(d) Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof) (i) during the period of 15 days immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(h); (iii) in respect of which the holder has exercised his right to require the Issuer to redeem pursuant to Condition 7(f); or (iv) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 8(c)) in respect of any payment of interest on the Bonds.

## **5 Interest**

### *(a) Interest Rate*

The Bonds bear interest from and including the Closing Date at the rate of 4.00 per cent. per annum, payable semi-annually in equal instalments in arrear on January 7 and July 7 in each year (each an “**Interest Payment Date**”), commencing on July 7, 2005. The amount of

interest payable on each Interest Payment Date shall be U.S.\$200 in respect of each U.S.\$10,000 principal amount of Bonds. The amount of interest payable in respect of a Bond for any period which is not an Interest Period shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. “**Interest Period**” means the period beginning on (and including) the Closing Date and ending on (but excluding) July 7, 2005 (being the first Interest Payment Date) and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

*(b) Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(j)) or (ii) where such Bond is being redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused, in which event interest will continue to accrue as provided in the Trust Deed.

**6 Conversion of Bonds**

*(a) Conversion Period and Conversion Price*

Each Bond shall entitle the holder (such right a “**Conversion Right**”) to convert such Bond into fully paid Ordinary Shares and/or SDRs representing fully paid Ordinary Shares (at the option of the relevant Bondholder), subject to and as provided in these conditions.

The number of Ordinary Shares to be issued on exercise of a Conversion Right shall be determined by dividing the authorised denomination of the relevant Bond in respect of which such Conversion Right shall have been exercised by the conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date. If and to the extent that a Bondholder shall have elected to receive SDRs in respect of an authorised denomination of Bonds on exercise of a Conversion Right, then the number of SDRs shall be determined by dividing the Ordinary Shares to be issued on such exercise by the number of Ordinary Shares represented by an SDR on such Conversion Date. As at the Closing Date, each SDR represents one Ordinary Share.

The initial Conversion Price is U.S.\$34.86 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(h) whereupon the Issuer shall issue, or procure the delivery, to the Bondholder of Ordinary Shares credited as paid up in full as provided in this Condition 6.

Subject to, and upon compliance with, the provisions of these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from February 17, 2005 to the close of business (at the place where the relevant Bond is delivered for conversion) on December 28, 2009, which is the date falling 10 days prior to the Final Maturity Date (both days inclusive) or, if the Bonds shall have been called for redemption pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to the close of business (at the place aforesaid) on the tenth day before the date fixed for redemption thereof, unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 17 or, if earlier, the Final Maturity Date; provided that, in each case, if the final such date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of the Conversion Right by Bondholders shall end on the immediately preceding business day at the place aforesaid.



Conversion Rights may not be exercised (i) in respect of a Bond where the Bondholder shall have exercised its right to require the Issuer to redeem such Bond pursuant to Condition 7(f) or (ii) following the giving of notice by the Trustee pursuant to Condition 10.

Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may be exercised by a Bondholder is referred to as the “**Conversion Period**”.

Conversion Rights may only be exercised in respect of an authorised denomination, and the election to receive Ordinary Shares or SDRs may, in each case only be exercised in respect of an authorised denomination. Where Conversion Rights are exercised in respect of part only of a Bond, the old Bond shall be cancelled and a new Bond for the balance thereof shall be issued in lieu thereof without charge but upon payment by the holder of any taxes, duties and other governmental charges payable in connection therewith and the Registrar will within seven business days, in the place of the specified office of the Registrar, following the relevant Conversion Date deliver such new Bond to the Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new Bond by uninsured mail to such address as the Bondholder may request.

Fractions of Ordinary Shares or SDRs will not be issued on conversion or pursuant to Condition 6(c) and no cash payment or adjustment will be made *in lieu* thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares or SDRs to be issued on conversion or pursuant to Condition 6(c) are to be registered in the same name, the number of such Ordinary Shares or SDRs to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Ordinary Shares or SDRs, as the case may be.

Where a Bondholder shall have elected in the relevant Conversion Notice to receive Ordinary Shares or be deemed to have elected to receive Ordinary Shares, the Issuer will procure that the Ordinary Shares to be issued on conversion will be issued to the holder of the Bonds completing the relevant Conversion Notice or his nominee. Where a Bondholder shall have elected in the relevant Conversion Notice to receive SDRs, the Issuer will procure that the Ordinary Shares to be issued on conversion and to be represented by such SDRs will be issued to and registered in the name of the Depositary. Such Ordinary Shares and, where applicable, such SDRs will be deemed to be issued as of the relevant Conversion Date. Any Additional Shares and any Additional SDRs to be issued pursuant to Condition 6(c) will be deemed to be issued as of the date the relevant Retroactive Adjustment takes effect or as at the date of issue of Ordinary Shares if the adjustment results from the issue of Ordinary Shares (each such date, the “**Reference Date**”).

*(b) Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows and notice will be given to the Trustee and to the Bondholders in accordance with Condition 17:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A = is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B = is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares issued instead of the whole or part of a cash Dividend which the Shareholders would or could otherwise have received or (2) where the Shareholders may elect to receive a cash Dividend in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii) If and whenever the Issuer shall pay or make any Dividend to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the relevant Dividend by the following fraction:

where:

A is the Current Market Price (as defined below) of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, on which such Ordinary Shares are purchased or, in the case of a Spin-Off, is the mean of the Volume Weighted Average Prices of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off; and

B is the portion of the Fair Market Value (as defined below), with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately prior to such purchase), of the Dividend attributable to one Ordinary Share.

Such adjustment shall become effective on the date on which such Dividend is paid or made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the Dividend is capable of being determined as provided herein.



For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the date of the first public announcement of the relevant Dividend, and in the case of a Spin-Off, the fair market value of the relevant Dividend shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets.

- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Ordinary Shares in issue immediately before such announcement;

B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and

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C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Exchange.

- (v) If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of Conversion Rights or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall include any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Issuer for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation.

Provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this sub-paragraph (b)(vii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (b)(vii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such Securities (other than the Bonds and any further bonds issued pursuant to Condition 18 and consolidated and forming a single series therewith) as are mentioned in sub-paragraph (b)(vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than

95 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A+B}{A+C}$$

where:

A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or

subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (b)(vii) above.

Provided that if at the time of such modification (as used in this sub-paragraph (b)(viii) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this paragraph (b)(viii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

- (ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-sub-paragraphs (b)(ii), (iii), (iv), (vi) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (b)(v) above) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and

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B is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Relevant Exchange.

- (x) If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Relevant Period, the Conversion Price shall be as set out below, but in each case adjusted, if appropriate, under this Condition 6(b).

Conversion Date	Conversion Price (U.S.\$)
On or before January 7, 2006	25.564
Thereafter, but on or before January 7, 2007	27.888
Thereafter, but on or before January 7, 2008	30.212
Thereafter, but on or before January 7, 2009	32.536
Thereafter, but on or before the Final Maturity Date	34.860

- (xi) If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of sub-

paragraphs (b)(i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions, where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of Conversion Rights shall not result in an adjustment to the Conversion Price.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x)

and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than U.S. dollars it shall be converted into U.S. dollars at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such Securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and
- (d) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or otherwise in connection therewith.

(c) *Retroactive Adjustments*

If the Conversion Date in relation to any Bond shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii) (iii), (iv), (v) or (ix), or any such issue as is mentioned in Condition 6(b)(vi) and (vii) which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, a “**Retroactive Adjustment**”), the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice: (i) in respect of the authorised denomination of Bonds in respect of which the relevant Bondholder shall have elected to receive Ordinary Shares or be deemed to have elected to receive Ordinary Shares, such additional number of Ordinary Shares (if any) (the “**Additional Shares**”) as, together with the Ordinary Shares issued or to be issued on conversion of the relevant Bond in respect of such authorised denomination (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued on conversion in respect of such authorised denomination of such Bond; and/or (ii) in respect of the authorised denomination of Bonds in respect of which the relevant Bondholders shall have elected to receive SDRs, such additional number of SDRs (if any) (the “**Additional SDRs**”) as, together with the SDRs issued or to be issued on conversion of the relevant Bond in respect of such authorised denomination (together with any fraction of an SDR not so issued) is equal to the number of SDRs which would have been required to be issued upon conversion in respect of such authorised denomination of such Bond, in each case as if the relevant adjustment (more particularly referred to in the said provisions of Condition 6(b)) to the Conversion Price had in fact been made and become effective immediately after the relevant record date.

*(d) Decision of an Independent Financial Adviser*

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error or any mistake or error which is proved to the Trustee’s satisfaction to be such.

*(e) Employees’ Share Schemes*

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees’ share or option scheme.

*(f) Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of U.S.\$0.01, shall be rounded down to the nearest whole multiple of U.S.\$0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments to the Conversion Price shall be given to Bondholders in accordance with Condition 17 promptly after the determination thereof.

*(g) Change of Control/Change of Control Triggering Event*

Following the occurrence of (i) a Change of Control or (ii) a Change of Control Triggering Event, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 17 (a “**Relevant Notice**”) within 14 calendar days of the first day on which it becomes so aware.



The Relevant Notice shall (in the case of a Change of Control) contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and the Conversion Price applicable in consequence of the Change of Control as set out in Condition 6(b)(x), as adjusted where appropriate or (in the case of a Change of Control Triggering Event) to exercise their rights to require redemption of the Bonds pursuant to Condition 7(f). The Relevant Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control or, as the case may be, the Change of Control Triggering Event;
- (ii) (in the case of a Change of Control) the Conversion Price immediately prior to the occurrence of the Change of Control and the Conversion Price applicable pursuant to Condition 6(b)(ix) during the Relevant Period;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Exchange as at the latest practicable date prior to the publication of such notice;
- (iv) (in the case of a Change of Control) the last day of the Relevant Period; and
- (v) such other information relating to the Change of Control or, as the case may be, the Change of Control Triggering Event as the Trustee may require.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control or a Change of Control Triggering Event or any event which could lead to a Change of Control or a Change of Control Triggering Event has occurred or may occur.

*(h) Procedure for Conversion*

A Conversion Right may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located. If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Each Bondholder shall have the right to elect to receive in respect of any authorised denomination of Bonds in respect of which Conversion Rights are exercised, Ordinary Shares or SDRs, and shall be entitled to elect to receive both Ordinary Shares and SDRs in respect of any Bond in respect of which Conversion Rights are exercised, provided that any such election shall be in respect of an authorised denomination. Such

election shall be made in the relevant Conversion Notice. In the absence of any such election, the Bondholder shall be deemed to have elected to receive Ordinary Shares in respect of the entire authorised denomination of each Bond in respect of which Conversion Rights are exercised.

A Conversion Notice, once delivered (and any such election, or deemed election, as provided above), shall be irrevocable.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be the Luxembourg business day immediately following the date of such delivery and, if applicable, the making of any payment to be made as provided below.

A Bondholder exercising a Conversion Right must pay any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital duties or stamp duties payable in the United States of America, Luxembourg or Sweden in respect of the allotment and issue of Ordinary Shares and any SDRs on such conversion (including any Additional Shares and Additional SDRs), which shall be paid by the Issuer) and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond

or interest therein in connection with such conversion. The Issuer will pay all expenses, charges and fees of the Depositary and/or any custodian for the Depositary in connection with the deposit of any relevant Ordinary Shares (including any Additional Shares) and issue of SDRs (including any Additional SDRs) pursuant to the Deposit Agreement on conversion.

Where the relevant Bondholder shall have elected or be deemed to have elected to receive Ordinary Shares, the Issuer shall procure that within 7 days that are business days in each of New York, London and Luxembourg following the relevant Conversion Date, Ordinary Shares to be issued on exercise of Conversion Rights are issued in definitive form through the Issuer's issuing agent (currently American Stock Transfer & Trust Co.) and delivered to, or at the direction of, the relevant Bondholder. Unless otherwise required to ensure compliance with U.S. securities laws, such shares shall be issued in a form eligible for settlement through the facilities of the Depositary Trust Company and representing good delivery for the purposes of settlement on the NASDAQ. If the Issuer determines that compliance with U.S. securities laws so requires, shares may be issued bearing a legend substantially similar to that set forth in Condition 1(a), unless the holder provides the Issuer with such certifications, legal opinions or other information as the Issuer may reasonably require to confirm that the Ordinary Shares may be transferred pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Within 7 days that are business days in each of Stockholm, London and Luxembourg following the relevant Conversion Date or, as the case may be, Reference Date, in respect of an exercise of Conversion Rights where the relevant Bondholder shall have elected to receive SDRs, the Issuer shall:

- (i) procure that the relevant Ordinary Shares to be represented by such SDRs are deposited with the Depositary or with the custodian appointed by the Depositary, through registration of the Depositary or such custodian as owner of the relevant Ordinary Shares in the Issuer's share register; and
- (ii) procure that the Depositary issues SDRs to the relevant Bondholder or his nominee by way of registration in a Swedish CSD Register maintained by VPC AB in accordance with the Financial Instruments Registration Act (SFS 1998: 1479) of Sweden.

(i) *Ordinary Shares and SDRs*

- (i) Ordinary Shares issued upon conversion of the Bonds will be fully paid and non-assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Shares, on the relevant Reference Date (except in any such case for any right excluded by mandatory provisions of applicable law), except that the Ordinary Shares or, as the case may be, the Additional Shares so issued will not rank for any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (ii) the SDRs issued upon conversion of the Bonds will in all respects rank *pari passu* with the SDRs in issue on the relevant Conversion Date or, in the case of Additional SDRs, on the relevant Reference Date, except that the SDRs or, as the case may be, the Additional SDRs so issued will

not rank for any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.

- (iii) Save as provided in Condition 6(k), no payment or adjustment shall be made on conversion for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(j) *Interest on Conversion*

If any notice requiring the redemption of any Bonds is given pursuant to Condition 7(b) or 7(c) on or after the fifteenth Luxembourg business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest



Payment Date next following such record date, interest shall accrue on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest or procure that any such interest is paid by not later than 14 days after the relevant Conversion Date by U.S. dollar cheque drawn on, or by transfer to, a U.S. dollar account maintained with, a bank in New York City in accordance with instructions given by the relevant Bondholder.

*(k) Purchase or Redemption or Buy Back by the Issuer of its own Shares*

The Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back its own shares (including Ordinary Shares and any certificates or receipts representing Ordinary Shares) without the consent of the Bondholders.

*(l) No duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price and will not be responsible to the Bondholders for any loss arising from any failure by it to do so.

*(m) Consolidation, Amalgamation or Merger*

Without prejudice to Condition 6(b)(x) or 7(f), in the case of any consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation), or in the case of any sale or transfer of all, or substantially all, of the assets of the Issuer, the Issuer will forthwith notify the Bondholders of such event in accordance with Condition 17 and (so far as legally possible) cause the corporation resulting from such consolidation, amalgamation or merger of the corporation which shall have acquired such assets, as the case may be, to execute a trust deed supplemental to the Trust Deed to ensure that the holder of each Bond then outstanding will have the right (during the period in which such Bond shall be exchangeable) to convert such Bond into the class and amount of shares and other securities and property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary Shares which would have become liable to be issued upon conversion of such Bond immediately prior to such consolidation, amalgamation, merger, sale or transfer. Such supplemental trust deed will provide for adjustments which will be as nearly equivalent as may be practicable to the adjustments provided for in Condition 6. The above provisions of this paragraph (e) will apply, mutatis mutandis to any subsequent consolidations, amalgamations, mergers, sales or transfers.

## **7 Redemption and Purchase**

*(a) Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b) or 7(c).

*(b) Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 90 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 17, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount together with accrued interest up to but excluding the Optional Redemption Date:

- (i) at any time on or after January 21, 2008, if on each of more than 20 dealing days during any period of 30 consecutive dealing days ending not earlier than 14 days prior to the giving of the relevant Optional Redemption Notice, the closing price for an Ordinary Share as published by or derived from the Relevant Exchange on such dealing day exceeds 130 per cent. of the Conversion Price (as adjusted) in effect (or deemed to be in effect) on such dealing day; or
- (ii) if, at any time prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued.

For the purposes of Condition 7(b)(ii) the principal amount of the Bonds originally issued shall be the aggregate of the principal amount of the Bonds and the principal amount of any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds, but shall not take account of any Conversion Rights exercised or purchases and corresponding cancellations.

*(c) Redemption for Taxation Reasons*

The Bonds may be redeemed (subject to the provisions of Condition 7(d)) at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable), at their principal amount (together with interest accrued to the date fixed for redemption) (the "**Tax Redemption Date**"), if (1) the Issuer satisfies the Trustee immediately prior to the giving of such Tax Redemption Notice that it has or will become obliged to pay Additional Amounts as defined in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after December 1, 2004, and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to, nor later than 90 days after, the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Bonds then due. Prior to the publication of any Tax Redemption Notice pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the obligation referred to in (1) above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall, without enquiring and without any liability therefore, be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (2) above in which event it shall be conclusive and binding on the Bondholders.

*(d) Bondholders' Tax Option*

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed pursuant to such Tax Redemption Notice and that the provisions of Condition 9 shall not apply in respect of any payment of principal or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts shall be made subject to the deduction or withholding of Luxembourg taxation required to be withheld or deducted. To exercise a right pursuant to

this Condition 7(d), the relevant Bondholder must present his Bond(s) together with a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying, Transfer and Conversion Agent (a "**Bondholder's Exercise Notice**") on or before the day falling 15 days prior to the Tax Redemption Date at the specified office of any Paying, Transfer and Conversion Agent.

*(e) Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall (subject in the case of a Tax Redemption Notice, to Condition 7(d)) be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Exchange, in each case as at the latest practicable date prior to the publication of the relevant Redemption Notice and (iii) the last day on which Conversion Rights may be exercised by Bondholders.

*(f) Redemption at the option of Bondholders*

Following the occurrence of a Change of Control Triggering Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Put Date at its principal amount together with accrued interest. To exercise such right, the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer and Conversion Agent together with a duly completed and signed notice of exercise (a “**Put Exercise Notice**”), in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent at any time in the Relevant Period.

Payment in respect of any such Bond shall be made by U.S. dollar cheque drawn on, or by transfer to, a U.S. dollar account maintained with a bank in New York City specified by the relevant Bondholder in the applicable Put Exercise Notice.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Date.

*(g) Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be listed at the relevant time, the Issuer or any Subsidiary of the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike. Such Bonds may be held, resold or reissued, or, at the option of the Issuer, surrendered to any Paying, Transfer and Conversion Agent for cancellation.

*(h) Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold.

*(i) Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

## **8 Payments**

*(a) Principal*

Payment of the principal in respect of the Bonds and accrued interest payable on a redemption of the Bonds other than on an Interest Payment Date will be made to the persons shown in the Register at the close of business on the Record Date and subject to the surrender of the Bonds at the specified office of the Registrar or of any of the Paying, Transfer and Conversion Agents.

*(b) Interest and other Amounts*

- (i) Payments of interest due on an Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.

- (ii) Payments of all amounts other than as provided in Condition 8(a) and (b)(i) will be made as provided in these Conditions.

*(c) Record Date*

“**Record Date**” means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

*(d) Payments*

Each payment in respect of the Bonds pursuant to Condition 8(a) and (b)(i) will be made by U.S. dollar cheque drawn on a branch of a bank in New York City mailed to the holder of the relevant Bond at his address appearing in the Register. However, upon application by the holder to the specified office of the Registrar or any Paying, Transfer and Conversion Agent not less than 15 days before the due date for any payment in respect of a Bond, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

Where payment is to be made by cheque, the cheque will be mailed, on the business day preceding the due date for payment or, in the case of payments referred to in Condition 8(a), if later, on the business day on which the relevant Bond is surrendered as specified in Condition 8(a) (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder).

*(e) Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

*(f) Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (i) as a result of the due date not being a business day, (ii) if the Bondholder is late in surrendering the relevant Bond or (iii) if a cheque mailed in accordance with this Condition arrives after the date for payment.

*(g) Business Days*

In this Condition, “**business day**” means any day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in New York City and, in the case of presentation or surrender of a Bond, in the place of the specified office of the Registrar or relevant Paying, Transfer and Conversion Agent, to whom the relevant Bond is presented or surrendered.

*(h) Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and Registrar and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee (which approval shall not be unreasonably withheld or delayed having regard to the interests of Bondholders only), to vary or terminate the appointment of any Paying, Transfer and Conversion Agent or the Registrar and appoint additional or other Paying, Transfer and Conversion Agents, provided that it will (i) maintain a Principal Paying, Transfer and Conversion Agent and a Registrar, (ii) maintain Paying, Transfer and Conversion Agents having specified offices in at least two major European cities including, so long as the Bonds are listed on the Luxembourg Stock Exchange and the rules of that Stock Exchange so require, a Paying, Transfer and Conversion Agent having a specified office in Luxembourg, (iii) maintain a Paying, Transfer and Conversion Agent with a specified office in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusion of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with such Directive and (iv) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the Paying, Transfer and Conversion Agents or the Registrar or their specified offices will promptly be given to the Bondholders in accordance with Condition 17.

*(i) Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

## 9 Taxation

All payments by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

- (a) to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Luxembourg other than the mere holding of the Bond; or
- (b) which is presented for payment (where presentation is required pursuant to these Conditions) more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Bond for payment on the last day of such period of 30 days; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying, Transfer and Conversion Agent in a Member State of the European Union.

Any reference in these Conditions to principal, interest or any other amount payable in respect of the Bonds shall be deemed to include any Additional Amounts which may be payable under this Condition or any undertaking given in addition to or substitution for it under the Trust Deed.

This Condition 9 shall not apply in respect of any Bonds which are the subject of an election by the relevant Bondholder in accordance with Condition 7(d).

## 10 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount together with accrued interest if any of the following events (each an “**Event of Default**”) shall have occurred (unless such Event of Default has been remedied to the satisfaction of the Trustee), provided that in the case of paragraphs (c) and (d) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders:

- (a) default is made in the payment of the principal of any Bond at its Maturity; or
- (b) default is made in the payment of any interest upon any Bond when it becomes due and payable, and continuance of such default for a period of 30 days; or
- (c) default is made in the performance of, or there is a breach of, any covenant, undertaking or warranty of the Issuer contained in the Indenture or in the terms and conditions of any agreement or indenture or instrument refinancing the 10% Senior Notes which default or breach is not in the

opinion of the Trustee remedied within 60 days after notice of such default or breach shall have been given to the Issuer by the Trustee; or

- (d) default is made in the performance, or there is a breach, of any covenant, undertaking or warranty of the Issuer under the Bonds or the Trust Deed which default or breach is not in the opinion of the Trustee remedied within 60 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (e) a default or defaults are made under any bond(s), debenture(s), note(s) or other evidence(s) of Debt by the Issuer or any Significant Restricted Group Member or under any mortgage(s), indenture(s) or instrument(s) under which there may be issued or by which there may be secured or evidenced any Debt of such type by the Issuer or any Significant Restricted Group Member with a principal amount then outstanding, individually or in the aggregate, in excess of U.S.\$25 million, whether such Debt now exists or shall hereafter be created, which default or defaults shall constitute a failure to pay such Debt when due at the final maturity thereof, or shall have resulted in such Debt becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable; provided that, notwithstanding the foregoing, any default under the 2% Notes or the Mandatorily Exchangeable Notes, in each case, (i) arising out of the issue of the Mandatorily Exchangeable Notes, the entering into of the Securities Lending Agreement or the performance of the obligations thereunder and (ii) outstanding as at December 1, 2004, shall not constitute or give rise to a default or an Event of Default hereunder; or
- (f) a final judgment or final judgments (not subject to appeal) for the payment of money are entered against the Issuer or any Significant Restricted Group Member in an aggregate amount in excess of U.S.\$10 million by a court or courts of competent jurisdiction, which judgments remain undischarged or unstayed for a period (during which execution shall not be effectively stayed) of 45 days after the right to appeal all such judgments has expired; or
- (g) save in any case for the purposes of or pursuant to a Newco Scheme (in circumstances where, in accordance with these Conditions and the Trust Deed, Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer and such adjustments are made to these Conditions and the Trust Deed to ensure that the Bonds may be converted into ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed), the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Issuer or any Significant Restricted Group Member in an involuntary case or proceeding under any applicable U.S. Federal or State or, foreign, bankruptcy, insolvency, reorganisation or other similar law (including, without limitation, in relation to the Issuer, bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganisation or similar laws affecting the rights of creditors generally) or (B) a decree or order adjudging the Issuer or any Significant Restricted Group Member a bankrupt or insolvent, or approving as properly filed a petition seeking reorganisation, arrangement, adjustment or composition of or in respect of the Issuer or any Significant Restricted Group Member under any applicable U.S. Federal or State or, foreign, law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer (including, without limitation, in relation to the Issuer, any *commissaire, juge-commissaire, liquidateur* or *curateur*) or any Significant Restricted Group Member or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or
- (h) save in any case for the purposes of or pursuant to a Newco Scheme (in circumstances where, in accordance with these Conditions and the Trust Deed, Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer and such adjustments are made to these Conditions and the Trust Deed to ensure that the Bonds may be converted into ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed), the commencement by the Issuer or any Significant Restricted Group Member of a voluntary case or proceeding under any applicable U.S. Federal or State or, foreign, bankruptcy, insolvency, reorganisation or other similar law (including, without limitation, in relation to the Issuer,

bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganisation or similar laws affecting the rights of creditors generally) or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Issuer, or any Significant Restricted Group Member in an involuntary case or proceeding under any applicable U.S. Federal or State or, foreign, bankruptcy, insolvency, reorganisation or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent



seeking reorganisation or relief under any applicable Federal, State or foreign law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer, or any Significant Restricted Group Member or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer (including, without limitation, in relation to the Issuer, any *commissaire*, *juge-commissaire*, *liquidateur* or *curateur*) or any Significant Restricted Group Member in furtherance of any such action.

## 11 Undertakings

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (a) issue, allot, register and deliver Ordinary Shares on exercise of Conversion Rights and procure the issue and delivery of SDRs in accordance with these Conditions and at all times keep available for issue, free from pre-emptive or other similar rights, out of its authorised but unissued share capital, such number of Ordinary Shares as would enable it to issue in full, such number of Ordinary Shares as are required to be issued on exercise of Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares;
- (b) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
  - (i) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares; or
  - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
  - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
  - (iv) by the issue of any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office whether of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price; or

- (c) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more

favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 11(c) shall prevent:

- (i) any consolidation, reclassification or subdivision of the Ordinary Shares; or
- (ii) any modification of such rights which is not, in the opinion of an independent investment bank of international repute selected by the Issuer (acting as an expert), approved in writing by the Trustee, materially prejudicial to the interests of the holders of the Bonds; or
- (iii) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments or the fact that the consideration per Ordinary Share receivable therefore is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Conversion Price; or

- (iv) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in an increase in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (d) procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (e) not make any issue, grant or distribution or any other action taken if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (f) not reduce its issued share capital, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
  - (i) pursuant to the terms of issue of the relevant share capital; or
  - (ii) by means of a purchase or redemption of share capital of the Issuer to the extent permitted by applicable law; or
  - (iii) by way of transfer to reserves as permitted under applicable law; or
  - (iv) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as expert, that the interests of the Bondholders will not be materially prejudiced by such reduction; or
  - (v) where the reduction is permitted by applicable law and results in (or would, but for the provisions of Condition 6(f) relating to the carry forward of adjustments, result in) an adjustment to the Conversion Price,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time enjoy pursuant to applicable law to purchase its Ordinary Shares

and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (g) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate or affiliate of the offeror) to acquire the whole or any part of the issued ordinary share capital of the Issuer, or if any person proposes a scheme with regard to such acquisition, give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Issuer's Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the Board of Directors of the Issuer, or where such an offer has become or been declared unconditional in all respects, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights by the Bondholders;
- (h) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights will be granted, as soon as is practicable, official quotation by the Relevant Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in, and that the SDRs issued upon exercise of Conversion Rights will be admitted to listing on the Stockholm Stock Exchange;



- (i) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than Luxembourg) unless the Issuer would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Bonds; and
- (j) in the event of a Newco Scheme, the Issuer shall take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted under the Bonds and the Trust Deed as principal debtor in place of the Issuer or Newco becomes a guarantor under the Bonds and the Trust Deed and, in either case, that such other adjustments are made to these Conditions and the Trust Deed to ensure that the Bonds may be converted into or exchanged for ordinary shares and/or depositary receipts of Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed; or (b) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for ordinary shares and/or depositary receipts in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed.

## 12 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment and thereafter any principal, interest or other sums payable in respect of such Bonds shall be forfeited and revert to the Issuer, as the case may be.

Claims in respect of any other amounts payable in respect of the Bonds shall become void unless made within 10 years following the due date for payment thereof.

## 13 Replacement of Bonds

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying, Transfer and Conversion Agent in Luxembourg for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

## 14 Meetings of Bondholders, Modification and Waiver, Substitution

### (a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount, or interest on, the Bonds, (iii) to increase the Conversion Price other than in accordance with these Conditions, (iv) to change the currency of any payment in respect of the Bonds, (v) to modify or vary the Conversion Rights in respect of the Bonds, or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-half, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

In addition, a resolution in writing signed by or on behalf of the holder or holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding shall take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more holders of the Bonds.

For the avoidance of doubt, the provisions of Article 86 to 94-8 of the Luxembourg law of August 10, 1915 concerning commercial companies, as amended, shall not apply in respect of the Bonds.

*(b) Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or any mistake or error which is proved to the Trustee's satisfaction to be such or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bond or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Trustee so requires, such modification shall be notified to the Bondholders promptly in accordance with Condition 17.

*(c) Substitution*

The Trustee may, without the consent of the Bondholders, agree with the Issuer (i) to the substitution in place of the Issuer (or of any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, (b) the Bonds continuing to be convertible or exchangeable into Ordinary Shares in the form of Ordinary Shares and/or SDRs as provided in these Conditions *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate or (ii) to the substitution of Newco as provided in Condition 11(j), provided that in the case of (i) or (ii), (x) the Trustee is satisfied that the interests of the Bondholders will not be materially

prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed are complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and shall be notified promptly to the Bondholders in accordance with Condition 17.

For the purposes of Luxembourg law and this Condition 14(c), it is agreed that by subscribing to, acquiring or otherwise purchasing the Bonds, the Bondholders are expressly deemed to have consented to any such substitution of the Issuer by Newco pursuant to this Condition 14(c) and to any release of the Issuer from its obligations in respect of the Bonds and the Trust Deed and are expressly deemed to have accepted such substitution and the consequences thereof.

*(d) Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any

Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## **15 Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Bonds unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **16 The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Bondholders on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Trustee and the Bondholders in the absence of manifest error or any mistake or error which is proved to the Trustee's satisfaction to be such.

## **17 Notices**

Notices to Bondholders shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Bonds are listed on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, in a daily newspaper with general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

## **18 Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

## **19 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

## 20 Governing Law and Jurisdiction

### (a) *Governing Law*

The Trust Deed, the Agency Agreement and the Bonds are governed by, and shall be construed in accordance with, English law.

### (b) *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

### (c) *Agent for Service of Process*

The Issuer has irrevocably appointed Metro International UK Limited at 3rd Floor, Interpark House, 7 Down Street, London W1J 7AJ as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

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SIGNED as a DEED by

**MILlicom INTERNATIONAL CELLULAR S.A.**

in the presence of:

MARC BEULS

BRUNO NIEUWLAND

SIGNED as a DEED by

**THE BANK OF NEW YORK**

in the presence of:

DANIEL WYNNE

VICE PRESIDENT

PAUL PEREIRA

AVP

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## CERTIFICATION

I, Marc Beuls, the Chief Executive Officer of Millicom International Cellular S.A., certify that:

1. I have reviewed this annual report on Form 20-F of Millicom International Cellular S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 2, 2005

By:

/s/ MARC BEULS

Name: Marc Beuls  
Title: *Chief Executive Officer*

Exh 12.1-1

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QuickLinks

[Exhibit 12.1](#)

[CERTIFICATION](#)

### CERTIFICATION

I, Bruno Nieuwland, the Chief Financial Controller of Millicom International Cellular S.A., certify that:

1. I have reviewed this annual report on Form 20-F of Millicom International Cellular S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 2, 2005

By: /s/ BRUNO NIEUWLAND

Name: Bruno Nieuwland  
Title: *Chief Financial Controller*

Exh 12.2-1

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QuickLinks

[Exhibit 12.2](#)

[CERTIFICATION](#)

### CERTIFICATION

I, Judy Tan, the Chief of Finance–Global Operations of Millicom International Cellular S.A., certify that:

1. I have reviewed this annual report on Form 20-F of Millicom International Cellular S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 2, 2005

By:

/s/ JUDY TAN

Name: Judy Tan  
Title: *Chief of Finance-Global Operations*

Exh 12.3-1

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QuickLinks

[Exhibit 12.3](#)

[CERTIFICATION](#)

### CERTIFICATION

The certification set forth below is being submitted in connection with the Annual Report on Form 20-F of Millicom International Cellular S.A. ("Millicom") for the fiscal year ended December 31, 2003 (the "Report") for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Marc Beuls, the Chief Executive Officer of Millicom, Bruno Nieuwland, the Chief Financial Controller of Millicom and Judy Tan, the Chief of Finance–Global Operations, each certifies that, to the best of his or her knowledge:

1. the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Millicom.

Date: May 2, 2005

#### MILLICOM INTERNATIONAL CELLULAR S.A.

By: /s/ MARC BEULS

Name: Marc Beuls

Title: *Chief Executive Officer*

By: /s/ BRUNO NIEUWLAND

Name: Bruno Nieuwland

Title: *Chief Financial Controller*

By: /s/ JUDY TAN

Name: Judy Tan

Title: *Chief of Finance–Global Operations*

Exh 13.1-1



QuickLinks

[Exhibit 13.1](#)

[CERTIFICATION](#)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No. 333-111779) of Millicom International Cellular S.A. of our report dated May 2, 2005 relating to the financial statements, which appears in this Form 20-F.

PricewaterhouseCoopers S.à r.l.

Luxembourg, May 2, 2005