TELEFÓNICA CELULAR DEL PARAGUAY S.A.
Annual Consolidated Financial Statements
As of and for the year ended 31 December, 2015

March 14, 2016

We believe in better. We believe in tigo

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Independent auditors' report to the shareholders of Telefónica Celular del Paraguay S.A.

We have audited the accompanying consolidated financial statements of Telefónica Celular del Paraguay S.A., which comprise the consolidated statement of financial position as at 31 December 2015 and 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) issue by International Accounting Standard Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Telefónica Celular del Paraguay S.A. as at 31 December 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) issue by International Accounting Standard Board (IASB).

Ernst & Young - Paraguay

Pablo J. Di Iorio
Partner

Asunción, Paraguay
March 14, 2016

CORPORATE INFORMATION

Telefónica Celular del Paraguay S.A. (the "Company"), a Paraguayan Company, and its subsidiaries: Teledeportes Paraguay S.A. and Lothar Systems S.A. (the "Group" or "Telecel") is a Paraguayan group providing communications, information, entertainment and solutions in Paraguay. The Company maintains multiple license contracts with Comision Nacional de Telecomunicaciones (Conatel), the regulator of the telecommunications system in Paraguay, to operate cellular and cable telephony business in Paraguay. The Company was formed in 1992.

Telecel is a wholly owned subsidiary of Millicom International III N.V. The ultimate parent company is Millicom International Cellular S.A. a Luxembourg Société Anonyme whose shares are traded on the Stockholm stock exchange under the symbol MIC and over the counter in the US under the symbol MIICF.

The general administration of the Company is located at Zavala Cue esq. Artilleria, Fernando De La Mora, Paraguay.

The Board of Directors ("Board") approved these consolidated financial statements for issuance on February 28, 2016.

BUSINESS ACTIVITIES

Telecel is a leading telecommunications and media group operating in Paraguay. It provides a wide range of mobile communications and cable services, as well as other related products, including digital media and e-commerce, to residential, business and wholesale customers.

IFRS CONSOLIDATED FINANCIAL STATEMENTS

Basis of Preparation

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

The consolidated financial statements for the year ended 31 December, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (IASB).

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to one note are included within that note. Accounting policies relating to non-material or non-applicable items are not included in these financial statements.

Consolidation

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

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

IFRS CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Foreign currency

Items included in the financial statements of each of the Group's entities are measured and presented in Paraguayan Guaraní, the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions denominated in a currency other than the functional currency are translated into the functional currency using exchange rates prevailing on transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions, and on translation of monetary assets and liabilities denominated in currencies other than the functional currency at year-end exchange rates, are recognized in the consolidated income statement.

The following table presents the Paraguayan Guaraní translation rates to the U.S. dollar as of 31 December 2015 and 2014 and average rates for the Year ended 31 December 2015.

Country	Currency	2015 Average rate	2015 Year-end rate	2014 Year-end rate
United States	Dollars	5,199.54	5,806.91	4,629.00

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

NEW AND AMENDED IFRS ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING POLICIES

The following IFRS standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2015. These have not had a material impact on the Group.

- IFRIC 21, 'Levies' , which provides guidance on when to recognise a levy imposed by a government;
- IFRS 3; Business Combinations, IFRS 8, Operating Segments, IFRS 13, Fair Value Measurement; IAS 16, Property, plant and equipment; IAS 24, Related party disclosures; and IAS 38, Intangible Assets.

The following IFRS standards, amendments and interpretations issued are not effective for the financial year beginning 1 January 2015 and have not been early adopted by the Group.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Group does not expect a significant impact from the adoption of these amendments and intend to adopt this amendment to IFRS 10 no later than the compulsory adoption date of 1 January 2016.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative. These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. The Group is yet to assess IAS 1 amendment's full impact and intends to adopt this amendment no later than the compulsory adoption date of 1 January 2016.
- Annual improvements 2014. These set of amendments impacts 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates, IAS 34, 'Interim financial reporting' regarding disclosure of information. Those amendments are not expected to have a significant impact for the Group. Effective date of adoption is 1 January 2016.

NEW AND AMENDED IFRS ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- IFRS 9, ‘Financial Instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was originally issued in November 2009 and October 2010 and subsequently amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value, and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. A final standard on hedging (excluding macro-hedging) has been issued in November 2013 which aligns hedge accounting more closely with risk management and allows to continue hedge accounting under IAS 39. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the compulsory adoption date of 1 January 2018 for classification, measurement and recognition provisions and the transition date for prospective application of hedge accounting provisions is not yet determined.
- IFRS 15, ‘Revenue from Contracts with Customers’, which establishes a five-step model related to revenue from customers. Under IFRS 15 revenue is recognised at amounts that reflect the consideration that an entity expects to be entitled in exchange for transferring products or services to a customer.
- The Group is currently assessing IFRS 15’s full impact and intends to adopt IFRS 15 no later than the compulsory adoption date of 1 January 2018
- IFRS 16 ‘Leases’ was issued on 13 January 2016. It replaces IAS 17 Leases. The major change introduced by the new Standard is that leases will be brought onto companies’ balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases.
- Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. The new Standard is effective 1 January 2019. Early application is permitted (as long as the recently issued revenue Standard, IFRS 15 ‘Revenue from Contracts with Customers’ is also applied). The application of this Standard will affect net debt and leverage ratios of the Group as all lease liabilities will be brought onto the balance sheet. The Group is yet to assess IFRS 16’s full impact.
- IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses” issued by the IASB in January 2016 and effective 1 January 2017.
- Amendments to IAS 38 and IAS 16: clarification of acceptable methods of depreciation and amortization issued by the IASB in July 2014 and applicable as of 1 January 2016.

There are no other IFRS’s or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group.

NEW AND AMENDED IFRS ACCOUNTING STANDARDS, CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In addition to the above changes and amendments, the following changes in accounting policies have been adopted by The Group on a voluntary basis for the financial year beginning on 1 January 2015:

The Group prepares its Consolidated Statement of Comprehensive Income, which includes the Statement of Profit and Loss and Other Comprehensive Income for the period. In 2015, the Group voluntarily changed the presentation of the income statement from function to nature of costs compared to the income statement for the year ended 31 December 2014. This was done in order to align the presentation of the Income Statement with Millicom International Cellular S.A, the Group's parent company. A reconciliation to the former presentation of the income statement for the year ended 31 December 2014 is shown next:

PYG millions	Former presentation	Reclassification	New presentation
Revenue	3,228,925	-	3,228,925
Cost of sales	(1,083,508)	286,163	(797,345)
Gross profit	**2,145,417**	**286,163**	**2,431,580**
Sales and marketing	(584,899)	584,899	**-**
General and administrative expenses	(742,310)	742,310	**-**
Operating expenses	-	(874,812)	(874,812)
Depreciation	-	(301,007)	(301,007)
Amortisation	-	(109,696)	(109,696)
Other operating income (expenses), net	-	(327,857)	(327,857)
Operating profit	**818,208**	**-**	**818,208**

JUDGMENTS AND CRITICAL ESTIMATES

The preparation of IFRS financial statements requires management to use judgment in applying accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions, and actual results may ultimately differ from these estimates. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each note and are summarized below:

Judgments

Management apply judgment in accounting treatment and accounting policies in preparation of these financial statements. In particular a significant level of judgment is applied regarding the following items:

- **Contingent liabilities -** whether or not a provision should be recorded for any potential liabilities (see note G.3.).
- **Leases –** whether the substance of leases meets the IFRS criteria for recognition as finance or operating leases or services contracts, or elements of each (see note G.2.2.).
- **Control –** whether Telecel, through voting rights and potential voting rights attached to shares held, or by way of shareholders agreements or other factors, has the ability to direct the relevant activities of the subsidiaries it consolidates (see notes A.1.).
- **Deferred tax assets –** recognition based likely timing and level of future taxable profits together with future tax planning strategies (see note B.5.3.).
- **Acquisitions –** allocation of the purchase price between the fair value of existing and newly identified assets and goodwill, the measurement of property, plant and equipment and intangible assets, and the assessment of useful lives (see notes E.1.1., E.1.5., E.2.1.).

JUDGMENTS AND CRITICAL ESTIMATES (CONTINUED)

Estimates

Estimates are based on historical experience and other factors, including reasonable expectations of future events. These factors are reviewed in preparation of the financial statements, although due to inherent uncertainties in the evaluation process, actual results may differ from original estimates. Estimates are subject to change as new information becomes available and may significantly affect future operating results. Significant estimates have been applied in respect of the following items:

- **Accounting for property, plant and equipment, and intangible assets** in determining fair values at acquisition dates (see note E.2.1.).
- **Useful lives of property, plant and equipment and intangible assets** (see notes E.1.1., E.2.1.).
- **Provisions, in particular provisions for asset retirement obligations, legal and tax risks** (see note F.5.,G.3.).
- **Revenue recognition** (see note B.1.1.).
- **Impairment testing including WACC and Long term growth rate** (see note E.1.6.).
- **Impairment testing** – Future business performance (see notes E.1.2., E.1.6., E.2.2.)

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

PYG millions	Notes	Year ended 31 December 2015	Year ended 31 December 2014 (i)
Revenue	B.1.	3,172,136	3,228,925
Cost of sales	B.2.	(750,630)	(797,345)
Gross profit		**2,421,506**	**2,431,580**
Operating expenses	B.2.	(985,629)	(874,812)
Depreciation	E.2.	(307,182)	(301,007)
Amortisation	E.1.	(119,142)	(109,696)
Other operating income (expenses), net		(74,083)	(327,857)
Operating profit		**935,470**	**818,208**
Interest expense		(150,526)	(117,593)
Interest and other financial income		8,934	7,937
Exchange loss, net		(431,045)	(35,484)
Profit before tax		**362,833**	**673,068**
Income tax expense	B.5.	(54,581)	(116,085)
Net profit and comprehensive income for the period.		**308,252**	**556,983**
Attributable to:			
Equity holders of the company		308,252	556,983

(i) Presentation of the income statement from cost of sales to operating profit has been amended compared to the income statement reported in 2014 for the year ended 31 December 2014.

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

Consolidated Statement of Financial Position
for the year ended 31 December 2015

PYG millions	Notes	Year ended 31 December 2015	Year ended 31 December 2014
ASSETS			
Non-Current Assets			
Intangible assets, net	E.1.	790,491	684,541
Property, plant and equipment, net	E.2.	1,745,816	1,522,801
Deferred taxation	B.5.	20,757	43,463
Other non-current assets		24,982	22,828
Total Non-Current Assets		**2,582,046**	**2,273,633**
Current Assets			
Inventories		62,669	87,635
Trade receivables, net	F.1.	366,885	261,572
Amounts due from related parties	G.5.	499,895	171,422
Prepayments and accrued income	F.4.	289,397	288,920
Supplier advances for capital expenditure		38,395	5,941
Other current assets		84,940	71,850
Cash and cash equivalents	C.4.	203,984	354,100
Total Current Assets		**1,546,165**	**1,241,440**
TOTAL ASSETS		**4,128,211**	**3,515,073**
EQUITY AND LIABILITIES			
EQUITY			
Share capital and Premium	C.1.	274,008	93,000
Legal reserve	C.1.	50,110	50,110
Retained profits		42,076	359,099
Profit for the period / year attributable to equity holders		308,252	556,983
Parents ownership interests		**674,446**	**1,059,192**
TOTAL EQUITY		**674,446**	**1,059,192**
LIABILITIES			
Non-current Liabilities			
Debt and financing	C.3.	2,303,132	1,481,167
Provisions and other non-current liabilities	F.5.	216,797	192,470
Total non-current liabilities		**2,519,929**	**1,673,637**
Current Liabilities			
Debt and financing	C.3.	87,040	89,951
Payables and accruals for capital expenditure		301,112	175,989
Other trade payables		102,220	80,952
Amounts due to related parties	G.5.	64,045	98,270
Accrued interest and other expenses		197,065	174,297
Current tax liabilities		8,568	28,890
Provisions and other current liabilities	F.5.	173,786	133,895
Total current liabilities		**933,836**	**782,244**
TOTAL LIABILITIES		**3,453,765**	**2,455,881**
TOTAL EQUITY AND LIABILITIES		**4,128,211**	**3,515,073**

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

Consolidated Statement of Cash Flows for the year ended 31 December 2015

PYG millions	Notes	Year ended 31 December 2015	Years ended 31 December 2014
Cash flows from operating activities			
Profit before taxes		**362,833**	**673,068**
Adjustments:			
Interest expense		150,526	117,593
Interest and other financial income		(8,934)	(7,937)
Exchange gain/(loss) on foreign exchange		431,045	35,484
Adjustments for non-cash items:			
Depreciation and amortization	E.1.,E.2.	426,324	410,703
(Gain)/Loss on disposal assets		(11,122)	2,363
Impairment of assets		6,479	-
		1,357,151	**1,231,274**
Increase in trade receivables, prepayments and other current assets		(686)	(20,380)
Decrease in inventories		24,966	8,687
Decrease in trade and other payables		(416,784)	(59,569)
Changes in working capital		**(392,504)**	**(71,262)**
Interest paid		(137,685)	(111,987)
Interest received		12,655	11,856
Taxes paid		(64,499)	(102,389)
Net cash provided by operating activities		**775,118**	**957,492**
Cash flows for investing activities:			
Purchase of property, plant and equipment	E.2. G.4.	(465,942)	(449,158)
Purchase of intangible assets and license renewals	E.1.	(211,087)	(62,861)
Debt and other financing granted to / repaid by related parties, net		(415,706)	-
Other		17,609	35,344
Net cash used by investing activities		**(1,075,126)**	**(476,675)**
Cash flows for financing activities:			
Repayment of debt and financing	C.5.	(272,247)	(90,306)
Proceeds from issuance of debt and other financing	C.5.	1,074,300	-
Payment of dividends	C.2.	(547,006)	(670,638)
Return of capital to shareholders		(145,992)	-
Net cash used by financing activities		**109,055**	**(760,944)**
Exchange losses on cash and cash equivalents		40,837	(1,240)
Net decrease in cash and cash equivalents		**(150,116)**	**(281,367)**
Cash and cash equivalents at the beginning of the year		354,100	635,467
Cash and cash equivalents at the end of the period		**203,984**	**354,100**

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2015

PYG millions	Number of shares	Share Capital	Retained profits	Legal reserves	Total equity
Balance as of December 31, 2013	**1,860**	**93,000**	**1,029,737**	**50,110**	**1,172,847**
Total comprehensive income for the period	-	-	556,983	-	556,983
Dividends	-	-	(670,638)	-	(670,638)
Balance as of December 31, 2014	**1,860**	**93,000**	**916,082**	**50,110**	**1,059,192**
Total comprehensive income for the period	-	-	308,252	-	308,252
Dividends	-	-	(547,006)	-	(547,006)
Increase of Share Capital	-	327,000	(327,000)	-	-
Return of capital to shareholders	(3,476)	(145,992)	-	-	(145,992)
Balance as of December 31, 2015	**6,524**	**274,008**	**350,328**	**50,110**	**674,446**

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

A/ THE GROUP

The Group comprises three companies and operating subsidiaries with various combinations of mobile, media content, cable TV, technological support, software and apps development and internet services.

A.1. SUBSIDIARIES

Subsidiaries are all entities which The Company controls. Telecel controls an entity when it is exposed to, or has rights to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the subsidiary. The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the entity's returns. Generally control accompanies a shareholding of more than half of the voting rights although certain other factors (including contractual arrangements with other shareholders, voting and potential voting rights) are considered when assessing whether The Group controls an entity.

The consolidated financial statements of the Group are comprised of the financial statements of the Company and its subsidiaries Lothar Systems S.A. (99% owned) and Teledeportes Paraguay S.A. (99.8% owned) as at December 31 each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

A.1.1. Accounting for subsidiaries and non-controlling interests

Subsidiaries are fully consolidated from the date on which control is transferred to The Group. If facts and circumstances indicate that there are changes to one or more of the elements of control a reassessment is performed to determine if control still exists. Subsidiaries are de-consolidated from the date that control ceases. Transactions with non-controlling interests are accounted for as transactions with equity owners of the Group. Gains or losses on disposals to non-controlling interests are recorded in equity. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is also recorded in equity.

A.1.2. Sell Unicanal S.A.

In February 27, 2015 Telecel concluded the process of selling the fully-owned company Unicanal S.A. (99% of shares) to Grupo JBB, a local multimedia group, by finishing the negotiations and transferring all the resources and facilities of this business unit to the buyer. The transaction amount was PYG 17,411 million.

B/ PERFORMANCE

B.1. REVENUE

The Group's revenue comprises sale of services from its mobile, cable and digital media businesses, as well as related devices and equipment. Recurring revenue consists of monthly subscription fees, airtime and data usage fees, interconnection fees, roaming fees, mobile finance service commissions and fees from other telecommunications services such as data services, short message services and other value added services.

PYG millions	2015	2014
Mobile	2,287,964	2,369,230
Home	427,673	412,987
B2B	412,848	404,527
Content	43,651	42,181
Total	**3,172,136**	**3,228,925**

B.1.1. Accounting for Revenue

Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable for the sale of good and services, net of value added tax, rebates and discounts and after eliminating intra-group sales. Generally this is the value of the invoice to the customer.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Generally this occurs when the service has been provided to the customer, or when the related equipment is delivered or passed to the customer.

Recurring revenue is recognized on an accrual basis, i.e. as the related services are rendered. Unbilled revenue for airtime and data usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Subscription product and service revenue is deferred and recognized over subscription period. Related costs are deferred and recognized over the same period.

Where customers purchase a specified amount of airtime or other credit in advance, revenue is recognized as the credit is used. Unused credit is carried in the statement of financial position as deferred revenue within "other current liabilities". The amount recognized as revenue in the statement of comprehensive income as a result of the estimation of the balance that subscribers will not consume is PYG. 56,231 million as of December 31, 2014, the effect of this estimation in 2015 was no material and in future years it should not be material neither.

Revenue from the sale of handsets and accessories are recognized when the significant risks and rewards of ownership of handsets and accessories have been passed to the buyer.

Bundled offers such as various services sold together, are divided into separate units of accounting if the products and services in the bundle meet certain criteria. The price paid by the customer is then allocated among the separate products and services based on their relative fair values or using the residual method. Revenue is then recognized separately for each product and service.

Revenue from content services such as video messaging, ringtones, games, music, etc., are recognized net of payments to the content providers under certain conditions. These include whether the providers are responsible for the content, determining the price paid by the customer, and where the provider assumes the credit risk. For such services the Group is considered to be acting in substance as an agent. Other revenue is recognized on a gross basis with any third party costs recognized as cost of sales and services.

Revenue from sale of capacity is recognized when the capacity has been delivered to the customer, based on the amount expected to be received from the customer.

Revenue from operating lease of tower space is recognized over the period of the underlying lease contracts.

B.2. EXPENSES

The cost of sales and operating expenses incurred by the Group can be summarized as follows:

Cost of sales PYG millions	2015	2014
Direct costs of services sold	380,721	442,342
Cost of telephone, equipment and other accessories	320,800	300,822
Bad debt and obsolescence costs	49,109	54,181
Cost of sales	**750,630**	**797,345**

Operating expenses PYG millions	Notes	2015	2014
Marketing expenses		419,197	404,866
Network maintenance costs		101,044	77,226
Employee related costs	B.4.	149,154	146,193
External and other services		95,749	83,070
Rentals and operating leases		11,693	6,448
Billing and payments		50,750	44,333
Other operating expenses		158,042	112,676
Operating expenses, net		**985,629**	**874,812**

B.2.1. Accounting for Cost of Sales and Operating Expenses

Cost of Sales

Cost of sales is recorded on an accrual basis.

Customer Acquisition Costs

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

Operating leases

Operating leases are all leases that do not qualify as finance leases. Operating lease payments are recognized as expenses in the consolidated income statement on a straight-line basis over the lease term.

B.3. SEGMENTAL INFORMATION

The strategic steering committee is the group's chief operating decision-maker. Management has determined the operating segment based on the information reviewed by the strategic steering committee for the purpose of allocating resources and assessing performance.

The strategic steering committee considers the business from product perspective as one segment; in this point of view management considers the performance of telecommunication and value added services as one.

Therefore the revenues and assets included in the consolidated statements of comprehensive income and consolidated statements of financial position are representative of this segment.

B.4. PEOPLE

Number of permanent employees	2015	2014
Continuing operations	833	736
Discontinued operations (Unicanal)	0	78
Total	**833**	**814**

PYG millions	2015	2014
Wages and salaries	110,567	109,580
Social security	14,807	14,497
Training	4,066	1,596
Other employee related costs	19,714	20,520
Total	**149,154**	**146,193**

B.5. TAXATION

B.5.1. Income tax expense

The Company's effective tax rate is (2015: 15.1%, 2014: 17.2%).

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

%	2015	2014
	%	**%**
Weighted average statutory tax rate	10	10
Provision for:		
Income tax paid on dividends distributions (i)	4.3	4.3
Other adjustments	0.7	2.9
Effective tax rate	**15.0**	**17.2**

(i) Income taxes at other than statutory rates relates to additional taxes paid as a result of distributing dividends to foreign shareholders.

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):

PYG millions	2015	2014
Current income tax charge	31,875	128,694
Net deferred income tax expense/(benefit)	22,706	(12,609)
Income tax expense	**54,581**	**116,085**

The tax effects of significant items comprising the Group's net deferred income tax asset as of December 31, 2015 and 2014 are as follows:

PYG millions	Balance sheets Year ended 31 December		Income statements Year ended 31 December	
	2015	2014	2015	2014
Provision for doubtful debtors	17,934	15,027	2,907	4,424
Temporary differences between book and tax basis of intangible assets and property, plant and equipment	1,150	18,630	(17,480)	1,662
Provision for taxes on dividend payables	(7,410)	-	(7,410)	-
Other temporary differences	9,083	9,806	(723)	6,523
Deferred tax benefit (expense)	**-**	**-**	**(22,706)**	**12,609**
Deferred tax assets	**20,757**	**43,463**	**-**	**-**

B.5.1. Income tax expense (Continued)

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

B.5.2. Current tax assets and liabilities

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

B.5.3. Deferred tax

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

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

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

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

C/ CAPITAL STRUCTURE AND FINANCING

C.1. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

The authorized share capital of the Company is PYG 250,000 million. As at December 31, 2015, the total subscribed and fully paid-in share capital was PYG 274,008 million consisting of 6,524 registered common shares at a par value of PYG 42 million each. As at December 31, 2014, the total subscribed and fully paid-in share capital was PYG 93,000 million consisting of 1,860 registered common shares at a par value of PYG 50 million each.

C.1.1. Legal reserve

Paraguayan legislation requires share companies (corporations) to allocate at least 5% of their annual net earnings to a legal reserve up to a level of 20% of subscribed capital (whether fully paid or not). As at 31 December 2015 and 2014 PYG 50.110 million of The Group’s retained profits represent legal reserves that are unavailable to be distributed to its owners

C.2. DIVIDEND DISTRIBUTIONS

Telecel's shareholders approved dividend distribution through the Annual General meetings of 2015 and 2014:

PYG millions	2015	2014
Distribution of dividends	547,006	670,638

The ability of the Company to make dividend payments is subject to, among other things, the terms of indebtedness and legal restrictions.

C.3. DEBT AND FINANCING

Borrowings are initially recognized at fair value, net of directly attributable transaction costs. After initial recognition borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the effective interest rate. Any difference between the initial amount and the maturity amount is recognized in the consolidated income statement over the period of the borrowing.

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

Borrowings due after more than one year:

PYG millions	2015	2014
Debt and financing:		
Bank financing	677,195	208,114
Bond financing	1,712,977	1,363,004
Total debt and financing	**2,390,172**	**1,571,118**
Less: portion payable within one year	(87,040)	(89,951)
Total debt and financing due after more than one year	**2,303,132**	**1,481,167**

Borrowings due within one year:

PYG millions	2015	2014
Portion of non-current debt payable within one year	87,040	89,951
Total debt and financing due within one year	**87,040**	**89,951**

C.3.1. Bank financing

In July 2008, Telecel entered into an 8 year $100 million loan with the European Investment Bank ("EIB"). The loan bears interest at rates between $ LIBOR 90 plus 0.234% and $ LIBOR 90 plus 0.667%. The EIB loan is guaranteed for commercial risks by Royal Bank of Scotland ("RBS"). The commission guarantee fee is 1.25% per annum. The outstanding amount as at December 31, 2015 was PYG 145,109 million (2014: PYG 208,114 million).

In the last quarter of 2015, Telecel obtained two new long-term loans from local banks Banco ITAU and Banco Continental. Both loans are denominated in Paraguayan guaranies and bear a fixed annual interest rate of 9%. As of December 31, 2015 the combined balance of such loans is PYG million 532,082.

C.3.2. Senior Notes

On December 7, 2012 Telecel issued $ 300 million aggregate principal amount of 6.75% Senior Unsecured Notes (the "6.75 Senior Notes") due on December 13, 2022. The 6.75% Senior Notes were issued at 100% of the aggregated principal amount. Distribution and other transaction fees of $7 million reduced the total proceeds from issuance to $293 million. The 6.75% Senior Notes have a 6.75% per annum coupon with interest payable semi-annually in arrears on June 13 and December 13. The effective interest rate is 7.12%.

The 6.75% Senior Notes are general unsecured obligations of the Telecel and rank equal in right of payment with all future unsecured and unsubordinated obligations of Telecel. The 6.75% Senior Notes are unguaranteed.

Telecel has options to partially or fully redeem the 6.75% Senior Notes as follows:

- Full or partial redemption at any time prior to December 13, 2017, for the highest of, 100% of the principal to be redeemed or, the present value of the remaining scheduled payments of principal to be redeemed and interest.

C.3.2. Senior Notes (Continues)

- Full or partial redemption at any time on or after December 13, 2017 for the following percentage of principal to be redeemed, plus accrued and unpaid interest and all other amounts dues, if any:

  December 13, 2017 103.375%
  December 13, 2018 102.25%
  December 13, 2019 101.125%
  December 13, 2020 100.00%
  December 13, 2021 100.00%

These options represent embedded derivatives which, in accordance with IAS 39 have been valued and determined to be closely related to the underlying bond.

- Redemption of up to 35% of the original principal of the 6.75% Senior Notes if, prior to December 13, 2015, Telefónica Celular del Paraguay S.A. receives proceeds from issuance of shares, at a redemption price of 106.75% of the principal amount to be redeemed plus accrued and unpaid interest and all other amounts due, if any, on the redeemed notes. If Telefónica Celular del Paraguay S.A. experiences a Change of Control Triggering Event, defined as a rating decline resulting from a change in control, each holder will have the right to require repurchase of its notes at 101% of their principal amount plus accrued and unpaid interest and all other amounts due, if any.

  As at December 31, 2015 and 2014, the outstanding amount of the Senior Unsecured Notes was PYG 1,712,977 million and PYG 1,363,004 million respectively.

The carrying amounts of borrowings do not significantly differ from their fair value at the balance sheet dates.

C.3.3. Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Where a finance lease results from a sale and leaseback transaction, any excess of sales proceeds over the carrying amount of the assets is deferred and amortized over the lease term.

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

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

C.3.4. Covenants

The Group's financing facilities are subject to a number of covenants including net leverage ratio, debt service coverage ratios, debt to earnings ratios, and cash levels. In addition, certain of its financings contain restrictions on sale of businesses or significant assets within the businesses. At 31 December 2015 there were no breaches in financial covenants.

C.4. CASH AND DEPOSITS

PYG millions	2015	2014
Cash and cash equivalents in USD	140,441	286,674
Cash and cash equivalents in PYG	57,735	67,426
Restricted cash	5,808	-
Total cash and cash equivalents	**203,984**	**354,100**

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

Cash deposits with bank with maturities of more than three months that generally earn interest at market rates are classified as time deposits

Cash held with banks related to the tender of the 4G/LTE technology is restricted in use due to local regulations requirements and is therefore denoted as restricted cash as of 31 December 2015.

C.5. NET DEBT

The following table provides details of net debt change for the years 2015 and 2014:

PYG millions	2015	2014
Net debt at the beginning of the year	**1,217,018**	**1,011,136**
Cash ítems		
Proceeds from issuance of debt and other financing	1,074,300	-
Repayment of debt and other financing	(272,247)	(90,306)
Net decrease (increase) in cash and cash equivalents	150,116	281,367
Non-cash ítems		
Exchange movement on debt and other financing	17,001	14,821
Net debt at the end of the year	**2,186,188**	**1,217,018**

D/ FINANCIAL RISK MANAGEMENT

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

D.1. INTEREST RATE RISK

Debt and financing issued at floating interest rates expose the Group to cash flow interest rate risk. Debt and financing issued at fixed rates expose the Group to fair value interest rate risk. The Group's exposure to risk of changes in market interest rates relate to both of the above. To manage this risk, the Group's policy is to maintain a combination of fixed and floating rate debt with target for the debt to be distributed between fixed and variable rates. The Group actively monitors borrowings against this target and applies a dynamic interest rate hedging approach. The target mix between fixed and floating rate debt is reviewed periodically. The purpose of Telecel's policy is to achieve an optimal balance between cost of funding and volatility of financial results, while taking into account market conditions as well as our overall business strategy. At 31 December 2015, approximately 94% of the Group's borrowings are at a fixed rate of interest.

D.1.1. Fixed and Floating rate debt

PYG millions	Financing at 31 December 2015 Amounts due within:						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate financing	-	-	79,040	130,580	129,966	1,905,477	2,245,063
Weighted average nominal interest rate	-	-	9.00%	9.00%	9.00%	6.98%	7.28%
Floating rate financing	87,040	58,069	-	-	-	-	145,109
Weighted average nominal interest rate	2.73%	2.88%	-	-	-	-	2.79%
Total	**87,040**	**58,069**	**79,040**	**130,580**	**129,966**	**1,905,477**	**2,390,172**
Weighted average nominal interest rate	2.73%	2.88%	9.00%	9.00%	9.00%	6.98%	7.01%

PYG millions	Financing at 31 December 2014 Amounts due within:						
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Fixed rate financing	-	-	-	-	-	1,363,004	1,363,004
Weighted average nominal interest rate	-	-	-	-	-	6.75%	6.75%
Floating rate financing	89,951	71,873	46,290	-	-	-	208,114
Weighted average nominal interest rate	2.38%	2.46%	2.60%	-	-	-	2.46%
Total	**89,951**	**71,873**	**46,290**	**-**	**-**	**1,363,004**	**1,571,118**
Weighted average nominal interest rate	2.38%	2.46%	2.60%	-	-	6.75%	6.18%

A one hundred basis point fall or rise in market interest rates for all currencies in which the Group had borrowings at 31 December 2015, would increase or reduce profit before tax from continuing operations for the year by approximately PYG million 1,451 (2014: PYG million 2,081 million).

D.2. FOREIGN CURRENCY RISKS

The Group seeks to reduce its foreign currency exposure through a policy of matching, as far as possible, assets and liabilities denominated in foreign currencies, or entering into agreements that limit the risk of exposure to currency fluctuations against the US dollar. In some cases, The Group may also borrow in US dollars where it is either commercially more advantageous to incur debt obligations in US dollars or where US dollar denominated borrowing is the only funding source available. In these circumstances, The Group accepts the remaining currency risks associated with financing, principally because of the relatively high cost of forward cover, when available.

The following table summarizes debt denominated in US$ as at December 31, 2015 and 2014

	Year ended December 31,			
	2015		2014	
	USD millions	PYG millions	USD millions	PYG millions
Debt denominated in USD	465.92	2,705,531	486.00	2,248,771

At 31 December 2015, if the US dollar had weakened/strengthened by 10% against the functional currency and all other variables held constant, then profit before tax from continuing operations would have increased/decreased by PYG 196,663 million (2014: PYG 153,847million). This increase/decrease in profit before tax would have mainly been as a result of the conversion of the results of our operations with functional currencies other than the US dollar.

D.3. CREDIT AND COUNTERPARTY RISK

Financial instruments that subject the Group to credit risk include cash and cash equivalents, trade receivables, supplier advances and other current assets. Counterparties to agreements relating to the Group's cash and cash equivalents are significant financial institutions with investment grade ratings. Management does not believe there are significant risks of non-performance by these counterparties and maintain a diversified portfolio of banking partners. Allocation of deposits across banks are managed such that the Group's counterparty risk with a given bank stays within limits which have been set based on each banks credit rating.

A large portion of revenue of the Group comprises prepaid products and services. For postpaid customers, the Group follows risk control procedures to assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

D.4. LIQUIDITY RISK

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

The Group manages its liquidity risk through use of bank overdrafts, bank loans and bonds. The Group believes that there is sufficient liquidity available in the local market to meet ongoing liquidity needs. Additionally, The Group is able to arrange offshore funding. The Group has a diversified financing portfolio with commercial banks representing about 22% of its gross financing (2014: 0%), bonds 72% (2014: 87%), Development Finance Institutions 6% (2014: 13%).

D.4. LIQUIDITY RISK (Continued)

Maturity Profile of Net Financial Liabilities at 31 December 2015 PYG million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(87,040)	(397,655)	(1,905,477)	(2,390,172)
Cash and cash equivalents	203,984	-	-	203,984
Net cash (debt) including derivatives related to debt	**116,944**	**(397,655)**	**(1,905,477)**	**(2,186,188)**
Future interest commitments	(167,566)	(629,747)	(265,902)	(1,063,215)
Trade payables (excluding accruals)	(467,377)	-	-	(467,377)
Other financial liabilities (including accruals)	(379,419)	(216,797)	-	(596,216)
Trade receivables	866,780	-	-	866,780
Other financial assets	412,732	24,982	-	437,714
Net financial liabilities	**382,094**	**(1,219,217)**	**(2,171,379)**	**(3,008,502)**

Maturity Profile of Net Financial Liabilities at 31 December 2014 PYG million	Less than 1 year	1 to 5 years	> 5 years	Total
Total debt and financing	(89,951)	(118,163)	(1,363,004)	(1,571,118)
Cash and cash equivalents	354,100	-	-	354,100
Net cash (debt) including derivatives related to debt	**264,149**	**(118,163)**	**(1,363,004)**	**(1,217,018)**
Future interest commitments	(97,118)	(372,185)	(276,008)	(745,311)
Trade payables (excluding accruals)	(355,211)	-	-	(355,211)
Other financial liabilities (including accruals)	(337,082)	(192,470)	-	(529,552)
Trade receivables	432,994	-	-	432,994
Other financial assets	366,711	22,828	-	389,539
Net financial liabilities	**274,443**	**(659,990)**	**(1,639,012)**	**(2,024,559)**

D.5. CAPITAL MANAGEMENT

The primary objective of the Group’s capital management is to ensure a strong credit rating and solid capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure with reference to economic conditions and imposed restrictions such as debt covenants and local regulations. To maintain or adjust its capital structure, the Group may make dividend payments to shareholders, return capital to shareholders through share repurchases or issue new shares. The Group primarily monitors capital using net debt to adjusted operating profit as well as a set of other indicators.

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

Debt to EBITDA (PYG millions)	Note	2015	2014
Total debt and Financing	C.3.	2,390,172	1,571,118
EBITDA		1,434,946	1,556,767
Debt to EBITDA		**1.67**	**1.01**

Net debt to EBITDA (PYG millions)	Note	2015	2014
Net debt	C.5.	2,186,188	1,217,018
EBITDA		1,434,946	1,556,767
Net debt to EBITDA		**1.52**	**0.78**

E/ LONG-TERM ASSETS

E.1. INTANGIBLE ASSETS

The Group's intangible assets mainly consist of goodwill arising from acquisitions, customer lists acquired through acquisitions, licenses and rights to operate.

E.1.1. Accounting for Intangible Assets

Intangible assets acquired in business acquisitions are initially measured at fair value at the date of acquisition, and those which are acquired separately are measured at cost. Internally generated intangible assets, excluding capitalized development costs, are not capitalized but expensed to the income statement in the expense category consistent with the function of the intangible assets. Subsequently intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over their estimated useful economic lives using the straight-line method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least at each financial year-end. Changes in expected useful lives or the expected beneficial use of the assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Amortization expense on intangible assets with finite lives is recognized in the consolidated income statement in the expense category consistent with the function of the intangible assets.

Licenses

Licenses are recorded at either historical cost or, if acquired in a business combination, at fair value at the date of acquisition. Cost includes cost of acquisition and other costs directly related to acquisition and retention of licenses over the license period. These costs may include estimates related to fulfillment of terms and conditions related to the licenses such as service or coverage obligations, and may include up-front and deferred payments.

Licenses have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the licenses over their estimated useful lives.

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

Trademarks and customer lists

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

Estimated useful lives are:

Estimated useful lives	Years
Trademarks..	1 to 15
Customer lists	4 to 9

E.1.1. Accounting for Intangible Assets (Continued)

Programming, Sponsorship and Content Rights

Programming, sponsorship and content master rights which are purchased or acquired in business combinations which meet certain criteria are recorded at cost as intangible assets. The rights must be exclusive, related to specific assets which are sufficiently developed, and probable to bring future economic benefits and have validity for more than one year. Cost includes consideration paid or payable and other costs directly related to the acquisition of the rights, and are recognized at the earlier of payment or commencement of the broadcasting period to which the rights relate.

Sponsorship contracts are those that grant the rights to use and market the image of the entities with which such agreements are signed.

Programming, sponsorship and content rights capitalized as intangible assets have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of the rights over their estimated useful lives.

Non-exclusive programming, sponsorship and content rights for periods less than one year are expensed over the period of the rights.

Indefeasible rights of use

Indefeasible rights of use ("IRU") agreements are mainly composed of purchase and/or sale of specified infrastructure, purchase and/or sale of lit fiber capacity and exchange of network infrastructure or lit fiber capacity. These arrangements are either accounted for as leases, service contracts, or partly as leases and partly as service contracts. Determination of the appropriate classification depends on an assessment of the characteristics of the arrangements.

A network capacity contract is accounted for as a lease if, and when:

- The purchaser has an exclusive right to the capacity for a specified period and has the ability to resell (or sub-let) the capacity; and
- The capacity is physically limited and defined; and
- The purchaser bears all costs related to the capacity (directly or not) including costs of operation, administration and maintenance; and
- The purchaser bears the risk of obsolescence during the contract term.

If all of these criteria are not met, the IRU is treated as a service contract.

If the arrangement is, or contains a lease, the lease is accounted for as either an operating lease or a financial lease (see policy note Leases C.3.3.). A financial lease of an IRU of network infrastructure is accounted for as a tangible asset. A financial lease of an IRU on capacity is accounted for as an intangible asset.

Estimated useful lives of finance leases of IRU's of capacity are between 12 and 15 years, or shorter if the estimated useful life of the underlying cable is shorter.

E.1.2. Impairment of non-financial assets

At each reporting date Telecel assesses whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, an estimate of the asset's recoverable amount is made. The recoverable amount is determined based on the higher of its fair value less cost to sell, and its value in use, for individual assets, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to sell is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions for the time value of money and risks specific to the asset. The foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets. Impairment losses of continuing operations are recognized in the consolidated income statement in expense categories consistent with the function of the impaired asset.

E.1.2. Impairment of non-financial assets (Continued)

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

E.1.3. Movements in Intangible Assets

The movements of intangible assets in 2015 were as follows:

PYG millions	Goodwill	Licenses	Content	Customer lists	Other (ii)	Total
Opening balance, net	**284,404**	**22,448**	**116,289**	**78,741**	**182,659**	**684,541**
Additions	-	86,380	31,388	-	169,170	286,938
Impairments and net disposals	-	-	-	-	(7,121)	(7,121)
Amortization charge(i)	-	(10,663)	(24,613)	(20,997)	(62,869)	(119,142)
Transfers	-	330	-	-	(55,055)	(54,725)
Closing balance, net	**284,404**	**98,495**	**123,064**	**57,744**	**226,784**	**790,491**
As at December 31, 2015						
Cost	284,404	195,909	186,440	126,829	443,944	1,237,526
Accumulated amortization	-	(97,414)	(63,376)	(69,085)	(217,160)	(447,035)
Net	**284,404**	**98,495**	**123,064**	**57,744**	**226,784**	**790,491**

The movements of intangible assets in 2014 were as follows:

PYG millions	Goodwill	Licenses	Content	Customer lists	Other (i)	Total
Opening balance, net	**284,404**	**31,641**	**135,671**	**100,406**	**206,950**	**759,072**
Additions	-	2,352	-	-	32,813	35,165
Amortization charge	-	(11,173)	(19,382)	(21,665)	(57,476)	(109,696)
Transfers	-	(372)	-	-	372	-
Closing balance, net	**284,404**	**22,448**	**116,289**	**78,741**	**182,659**	**684,541**
As at 31 December 2014						
Cost	284,404	109,199	155,052	126,829	337,232	1,012,716
Accumulated amortization	-	(86,751)	(38,763)	(48,088)	(154,573)	(328,175)
Net	**284,404**	**22,448**	**116,289**	**78,741**	**182,659**	**684,541**

(i) *The caption "Other" includes mainly software licenses and development of intangibles.*

E.1.4. Cash used for the purchase of intangible assets

Cash used for intangible asset additions PYG million	2015	2014
Additions	(286,938)	(35,165)
Change in advances to suppliers	(1,117)	261
Change in accruals and payables for intangibles	76,968	(27,957)
Cash used from continuing operations for additions	**(211,087)**	**(62,861)**

E.1.5. Goodwill

Goodwill represents the excess of cost of an acquisition, over the Group's share in the fair value of identifiable assets less liabilities and contingent liabilities of the acquired subsidiary, joint venture or associate at the date of the acquisition. If the fair value of identifiable assets, liabilities or contingent liabilities or the cost of the acquisition can only be determined provisionally, then goodwill is initially accounted for using provisional values. Within 12 months of the acquisition date, any adjustments to the provisional values are recognized once the fair value of the identifiable assets, liabilities and contingent liabilities, and the cost of the acquisition have been finally determined. Adjustments to provisional fair values are made as if the adjusted fair values had been recognized from the acquisition date. Goodwill on acquisition of subsidiaries and joint ventures is included in "Intangible assets, net". Goodwill on acquisition of associates is included in "investments in associates". Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

E.1.6. Impairment testing of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the cash generation units or groups of cash-generating units.

The Group's cash generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

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

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

E.2. PROPERTY, PLANT AND EQUIPMENT

E.2.1. Accounting for Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost, less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to acquisition of items. The carrying amount of replaced parts is derecognized.

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

Estimated useful lives	Years
Buildings	40 years or lease period, if shorter
Networks (including civil works)	5 to 15 years or lease period, if shorter
Other	2 to 7

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual value and useful life is reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

E.2.1. Accounting for Property, Plant and Equipment (Continued)

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, or purchased assets which have yet to be deployed. When the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and depreciation commences.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Ongoing routine repairs and maintenance are charged to the income statement in the financial period in which they are incurred. Costs of major inspections and overhauls are added to the carrying value of property, plant and equipment and the carrying amount of previous major inspections and overhauls is derecognized.

Equipment installed on customer premises which is not sold to customers is capitalized and amortized over the customer contract period.

A liability for the present value of the cost to remove an asset on both owned and leased sites (for example cell towers) and for assets installed on customer premises, is recognized when a present obligation for the removal exists. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset, or lease period if shorter.

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 contribute to future economic benefits for the Group and the costs can be measured reliably.

E.2.2. Movements in tangible Assets

The movements of property, plant and equipment in 2015 were as follows:

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other (i)	Total
Opening balance, net	**1,069,413**	**67,428**	**312,002**	**73,958**	**1,522,801**
Additions	-	54	474,129	300	474,483
Impairments and net disposals	(1,145)	(3,840)	(116)	(2,547)	(7,648)
Depreciation charge	(285,542)	(705)	-	(20,935)	(307,182)
Asset retirement obligations	8,594	-	-	-	8,594
Transfers	464,796	75	(432,362)	22,259	54,768
Closing balance at 31 December 2015	**1,256,116**	**63,012**	**353,653**	**73,035**	**1,745,816**
Cost	3,416,987	72,094	353,653	192,790	4,035,524
Accumulated depreciation	(2,160,871)	(9,082)	-	(119,755)	(2,289,708)
Net	**1,256,116**	**63,012**	**353,653**	**73,035**	**1,745,816**

E.2.2. Movements in tangible Assets (Continued)

The movements of property, plant and equipment in 2014 were as follows:

PYG millions	Network equipment	Land and Buildings	Construction in Progress	Other(i)	Total
Opening balance, net	**994,056**	**66,117**	**287,888**	**51,298**	**1,399,359**
Additions	330,193	4,346	35,700	49,555	419,794
Impairments and net disposals	(5,876)	(3,840)	5,938	744	(3,034)
Depreciation charge	(283,824)	(654)	-	(16,529)	(301,007)
Asset retirement obligations	7,689	-	-	-	7,689
Transfers	27,175	1,459	(17,524)	(11,110)	-
Closing balance at 31 December 2014	**1,069,413**	**67,428**	**312,002**	**73,958**	**1,522,801**
Cost	2,945,775	75,805	312,002	173,335	3,506,917
Accumulated depreciation	(1,876,362)	(8,377)	-	(99,377)	(1,984,116)
Net	**1,069,413**	**67,428**	**312,002**	**73,958**	**1,522,801**

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

E.2.3. Cash used for the purchase of tangible assets

Cash used for property, plant and equipment additions PYG million	2015	2014
Additions	(474,483)	(419,794)
Change in advances to suppliers	(23,351)	2,440
Change in accruals and payables for intangibles	31,892	(31,804)
Cash used from continuing operations for additions	**(465,942)**	**(449,158)**

F/ OTHER ASSETS AND LIABILITIES

F.1. TRADE RECEIVABLES

The Group's trade receivables mainly comprise interconnect receivables from other operators, postpaid mobile and residential cable subscribers as well as corporate customers. The nominal value of receivables adjusted for impairment approximates the fair value of trade receivables.

PYG millions	2015	2014
Gross trade receivables	545,846	409,493
Less: provisions for impairment of receivables	(178,961)	(147,921)
Trade receivables, net	**366,885**	**261,572**

PYG millions	Neither past due nor impaired	Past due (net of impairments)			Total
		< 30 days	30-90 days	>90 days	
2015					
Telecom operators	38,782	14,582	4,335	-	57,699
Own customers	163,617	10,039	15,189	-	188,845
Others	58,003	50,159	12,179	-	120,341
Total	**260,402**	**74,780**	**31,703**	**-**	**366,885**
2014					
Telecom operators	32,778	11,303	6,331	-	50,412
Own customers	85,108	22,223	8,679	-	116,010
Others	33,211	46,785	15,154	-	95,150
Total	**151,097**	**80,311**	**30,164**	**-**	**261,572**

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

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

F.2. INVENTORIES

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

F.3. TRADE PAYABLES

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

F.4. PREPAYMENTS AND ACCRUED INCOME

PYG millions	2015	2014
Accrued income from rendered services	263,717	269,931
Prepayments	25,680	18,989
Total Prepayment and Accrued Income	**289,397**	**288,920**

F.5. CURRENT AND NON-CURRENT PROVISIONS AND OTHER LIABILITIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, risks specific to the liability. Where discounting is used, increases in the provision due to the passage of time are recognized as interest expenses.

F.5.1. Non-Current provisions and other liabilities

PYG millions	2015	2014
Long-term portion of asset retirement obligations	75,844	62,970
Long-term payables for Football Rights	138,435	127,290
Other	2,518	2,210
Total	**216,797**	**192,470**

F.5.2. Current provisions and other liabilities

PYG millions	2015	2014
Deferred revenue	51,109	39,653
Customer deposits	35,587	36,085
Current legal provisions	7,735	7,944
Other tax payables	16,927	2,766
Prepayment card	16,251	15,427
Advanced payments	20,335	13,567
Current provisions	15	14
Other	25,827	18,439
Total	**173,786**	**133,895**

G/ ADDITIONAL DISCLOSURE ITEMS

G.1 FEES TO AUDITORS

PYG millions	2015	2014
Audit fees	838	727
Total	**838**	**727**

G.2. CAPITAL AND OPERATIONAL COMMITMENTS

Telecel has a number of capital and operational commitments to suppliers and service providers in the normal course of its business. These commitments are mainly contracts for acquiring network and other equipment, and leases for towers and other operational equipment.

G.2.1. Capital Commitments

As of December 31, 2015 the Company has fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of PYG 1,042,910 million (2014: PYG 597,015 million).

G.2.2 Lease Commitments

Operating leases

Operating leases are all other leases that are not finance leases. Operating lease payments are recognised as expenses in the consolidated income statement on a straight-line basis over the lease term.

Operating leases mainly comprise land in which cell towers are located (including those related to towers sold and leased back) and buildings. Total operating lease expense from continuing operations for the year ended 31 December 2015 was PYG million 11,685 (2014: PYG million 6,448)

PYG millions	2015	2014
Operating lease commitments		
Within: one year	23,154	16,720
Between: one to five years	6,606	4,770
After: five years	3,650	2,636
Total	**33,410**	**24,126**

G.3. CONTINGENT LIABILITIES

G.3.1. Litigation and legal risks

Telecel is operating in an emerging market, 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, Telecel faces uncertainties regarding taxation, interconnect, license renewal and tariff arrangements, which can have a significant impact on the long-term economic viability of its operations.

The Company and its subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of December 31, 2015, the total amount of provisions related to claims against the group’s operations was PYG 7,735 million (December 31, 2014: PYG 7,944 million). Management is of the opinion that while it is impossible to ascertain the ultimate legal and financial liability with respect to these claims, the ultimate outcome of these contingencies is not anticipated to have a material effect on the Group’s financial position and operations.

G.4. NON-CASH INVESTING AND FINANCING ACTIVITIES

PYG millions	Note	2015	2014
Investing Activities			
Financing / (Acquisition) of property, plant and equipment		8,541	(29,364)
Asset retirement obligations	E.2.2.	8,594	7,689
Financing Activities			
Effect of forex exchange on financial debt	C.5.	17,001	14,821

G.5. RELATED PARTY BALANCES AND TRANSACTIONS

The Company conducts transactions with its principal shareholder, Millicom International Cellular S.A. ("Millicom") and its subsidiaries. Transactions with related parties are conducted on normal commercial terms and conditions.

The following transactions were conducted with related parties:

PYG millions	2015	2014
Millicom – Other Paraguayan operations	75,873	50,639
Millicom - Non-Paraguayan companies	72,458	330,123
Total purchases from related parties	**148,331**	**380,762**

As at December 31, the Company had the following balances with related parties:

PYG millions	2015	2014
Receivables		
Millicom – Other Paraguayan operations	198,623	168,482
Millicom – Non-Paraguayan companies	301,272	2,940
Total	**499,895**	**171,422**
Payables		
Millicom – Other Paraguayan operations	42,140	20,400
Millicom – Non-Paraguayan companies	21,905	77,870
Total	**64,045**	**98,270**

Millicom

During 2015 and 2014 the Company purchased services from Millicom and its subsidiaries including technical services fees, call centre services and marketing services. Some of these subsidiaries are Paraguayan operations. Telecel entered into a technical service agreement with Millicom, in which Millicom provides technical assistance and "know-how" to the Company. For the technical and other assistance received in 2015 and 2014, Telecel paid a sum equivalent to 0% and 10% of its total revenues, respectively. In addition during 2015 and 2014 the Company sold services to Millicom subsidiaries in Paraguay mainly mobile telephony services.

Board of Directors

Compensation for the Board of Directors for the Year ended 31 December 2015 and 2014 was as follows:

PYG millions	Year ended 31 December 2015	Year ended 31 December 2014
Fees	(374)	(810)
Other benefits	(235)	(233)
Total compensation	**(610)**	**(1,043)**

H/ SUBSEQUENT EVENTS

Launch of 4G/LTE

On February 12, 2016 Telecel paid PYG million 173,396 to CONATEL, the industry's regulator, to cancel the balance related to the 4G/LTE licence which was granted by Resolution 1847/2015 on December 15, 2015. Telecel will start rendering services with this technology from April 2016.

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