Telefónica Celular del Paraguay S.A.

(A Paraguayan Company)

Interim Condensed Consolidated Financial Statements
For the three month period ended March 31, 2013 and 2012

Telefónica Celular del Paraguay S.A.

Consolidated statements of comprehensive income
for the three months ended March 31, 2013 and 2012

	Notes	Three months ended March 31, 2013 (Unaudited) PYG 'M	Three months ended March 31, 2012 (Unaudited) PYG 'M
Revenues		789,781	671,525
Cost of sales		(250,782)	(184,113)
Gross profit		**538,999**	**487.412**
Sales and marketing		(154,481)	(114,118)
General and administrative expenses		(61,997)	(46,735)
Operating profit	3	**322,521**	**326,559**
Interest expense		(24,419)	(3,837)
Interest and other financial income		2,077	798
Exchange gain / (loss), net		29,109	(5,372)
Profit before tax		**329,288**	**318,148**
Income tax expenses	4	(83,955)	(83,121)
Net profit and comprehensive income for the period		**245,333**	**235,027**
Attributable to:			
Equity holders of the company		**245,333**	**235,027**
Basic earnings per share			
—for the year attributable to equity holders		132	47
Diluted earnings per share			
—for the year attributable to equity holders		132	47

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

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Telefónica Celular del Paraguay S.A.

Consolidated statements of financial position
as at March 31, 2013 and December 31, 2012

	Notes	March 31, 2013 (Unaudited) PYG 'M	December 31, 2012 PYG 'M
ASSETS			
Non-Current Assets			
Intangible assets, net		567,856	571,181
Property, plant and equipment, net	5	1,335,535	1,337,241
Deferred taxation		33,293	40,467
Other non-current assets		24,621	25,453
Total Non-Current Assets		**1,961,305**	**1,974,342**
Current Assets			
Inventories		94,718	48,148
Trade receivables, net		275,661	283,074
Amounts due from related parties		159,121	105,022
Prepayments and accrued income		255,447	194,062
Supplier advances for capital expenditure		5,411	7,901
Other current assets		11,316	20,675
Pledged deposit		30,053	31,680
Cash and cash equivalents	6	354,534	1,071,834
Total Current Assets		**1.186.261**	**1,762,396**
TOTAL ASSETS		**3.147.566**	**3,736,738**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		93,000	93,000
Legal reserves		50,110	50,110
Retained profits		369,316	92,676
Profit for the year attributable to equity holders		245,333	1,140,951
TOTAL EQUITY		**757,759**	**1,376,737**
LIABILITIES			
Non-current Liabilities			
Debt and financing	7	1,438,385	1,515,864
Provisions and other non-current liabilities		46,630	45,742
Total non-current liabilities		**1,485,015**	**1,561,606**
Current Liabilities			
Debt and financing	7	78,960	84,324
Payables and accruals for capital expenditure		149,055	192,102
Other trade payables		225,274	219,672
Amounts due to related parties		104,448	39,627
Accrued and other expenses		103,378	109,572
Current income tax liabilities		85,646	5,088
Provisions and other current liabilities		158,031	148,010
Total current liabilities		**904,792**	**798,395**
TOTAL LIABILITIES		**2,389,807**	**2,360,001**
TOTAL EQUITY AND LIABILITIES		**3,147,566**	**3,736,738**

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Telefónica Celular del Paraguay S.A.

Consolidated statements of cash flows
for the three months ended March 31, 2013 and 2012

	Notes	Three months ended March 31, 2013 (Unaudited) PYG 'M	Three months ended March 31, 2012 (Unaudited) PYG 'M
Cash flows from operating activities			
Profit before taxes from continuing operations		**329,288**	**318,148**
Adjustments:			
Interest expense		24,419	4,022
Interest and other financial income		(2,077)	(1,048)
Adjustments for non-cash items:			
Depreciation and amortization		78,291	57,234
Loss on disposal assets		-	252
		429,921	**378,608**
Decrease in trade receivables, prepayments and other current assets		(86,704)	(106,784)
Decrease in inventories		(46,571)	(3,154)
Decrease in trade and other payables		(3,778)	(1,442)
Changes in working capital		**(137,053)**	**(111,380)**
Interest expense paid		(4,969)	(2,508)
Interest received		5,371	346
Taxes paid		(20,000)	(17,951)
Net cash provided by operating activities		**273,270**	**247,115**
Cash flows for investing activities:			
Purchase of property, plant and equipment		(72,308)	(83,066)
Debt and other financing granted to related parties		(7,018)	(11,325)
Other		16,130	40,775
Net cash used by investing activities		**(63,196)**	**(53,616)**
Cash flows for financing activities:			
Repayment of debt and financing		(1,115)	(2,220)
Payment of dividends		(880,689)	(411,432)
Net cash used by financing activities		**(881,804)**	**(413,652)**
Exchange losses on cash and cash equivalents		(45,570)	(71)
Net decrease in cash and cash equivalents		**(717,300)**	**(220,224)**
Cash and cash equivalents at the beginning of the period		1,071,834	814,115
Cash and cash equivalents at the end of the period		**354,534**	**593,891**

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

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Telefónica Celular del Paraguay S.A.

Consolidated statements of changes in equity
for the three months ended March 31, 2013, and December 31, 2012

	Number of shares	Share Capital	Retained profits	Legal reserves	Total equity
	'000	PYG 'M	PYG 'M	PYG 'M	PYG 'M
Balance as of December 31, 2011	**5,000**	**250,000**	**1,134,733**	**3,994**	**1,388,727**
Total comprehensive income for the year……	-	-	1,140,951	-	1,140,951
Dividends……………………………………...	-	-	(995,941)	-	(995,941)
Return of capital to shareholder……………...	(3,140)	(157,000)	-	-	(157,000)
Transfer to legal reserve………………………	-	-	(46,116)	46,116	-
Balance as of December 31, 2012	**1,860**	**93,000**	**1,233,627**	**50,110**	**1,376,737**
Total comprehensive income for the year	-	-	245,333	-	245,333
Dividends……………………………………...	-	-	(864,311)	-	(864,311)
Balance as of March 31, 2013	**1,860**	**93,000**	**614,649**	**50,110**	**757,759**

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1. CORPORATE INFORMATION

Telefónica Celular del Paraguay S.A. (the "Company"), a Paraguayan Company, and its subsidiary (the "Group" or "Telecel") is a Paraguayan group providing communications, information, entertainment, solutions and financial services 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 which expires between February, 2014 and September, 2016. The Company was formed in 1992.

Telecel is a subsidiary of Millicom International III N.V with an ultimate parent Millicom International Cellular S.A. a Luxembourg Société Anonyme (Millicom) whose shares are traded on the Stockholm stock exchange under the symbol MIC and over the counter in the US under the symbol MICC.

As at March 31, 2013 the share capital was PYG 93,000 million and is represented by 1,860 ordinary shares with a par value of PYG 50 million each (December 31, 2012: PYG 93,000 million). On November 2, 2012 the Shareholders meeting approved a reduction and distribution of the share capital amounting to PYG 157,000 million.

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Group are unaudited. They are presented in Paraguayan Guaraní and have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as published by the International Accounting Standards Board ("IASB"). In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments that are necessary for a proper presentation of the results for interim periods. Telecel's operations are not affected by significant seasonal or cyclical patterns apart from a slight increase in revenues over the festive season in December. The interim condensed consolidated financial statements should be read in conjunction with Telecel's consolidated financial statements for the year ended December 31, 2012.

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The interim condensed consolidated financial statements are prepared in accordance with consolidation and accounting policies consistent with Telecel's consolidated financial statements as at and for the year ended December 31, 2012, as disclosed in Note 2 of those financial statements.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning January 1, 2013 that have a material impact on the Group.

The nature and the impact of each new standard/amendment are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

The following standards, amendments and interpretations issued are not effective for the financial year beginning January 1, 2013, have not been early adopted and are not expected to have a material impact on the Group.

- Amendment to IAS 32, "Financial Instruments: Presentation", which updates the application guidance in IAS 32, "Financial instruments: Presentation", to clarify certain requirements for offsetting financial assets and financial liabilities on the statement of financial position. The Group is yet to assess the amendments full impact and intends to adopt the amendment no later than its effective date for the accounting period beginning on January 1, 2014.

The following standards, amendments and interpretations issued are not effective for the financial year beginning January 1, 2013, have not been early adopted and are currently being evaluated for impact on the Group.

- IFRS 9, "Financial Instruments", which has yet to be adopted by the European Union, addresses the classification, measurement and recognition of financial assets and financial liabilities.

- Scope of the reporting entity, a group of standards comprising IFRS 10, "Consolidated financial statements" (which replaces all of the guidance on control and consolidation in IAS 27, "Consolidated and separate financial statements", and SIC-12, "Consolidation – special purpose entities'), IFRS 11 "Joint Arrangements"; IFRS 12, "Disclosure of interests in other entities"; and consequential amendments to IAS 28, "Investments in associates".

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3. ANALYSIS OF OPERATING PROFIT

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

	Three months ended March 31, 2013 (Unaudited) PYG 'M	Three months ended March 31, 2012 (Unaudited) PYG 'M
Revenues	789,781	671,525
Cost of rendering telecommunication services	(191,353)	(129,101)
Depreciation and amortization	(78,291)	(57,234)
Dealer commissions	(53,046)	(45,853)
Employee related costs	(23,250)	(22,879)
Sites and network maintenance	(16,691)	(16,432)
Advertising and promotion	(15,682)	(12,855)
Phone subsidies	(28,123)	(18,523)
External services	(17,306)	(10,869)
Operating lease expense	(1,383)	(701)
Billing and payments	(10,355)	(7,120)
Gain (loss) on disposal and impairment of assets, net	-	(252)
Technical Service Fee	(11,857)	(10,385)
Other costs	(19,923)	(12,762)
Operating profit	**322,521**	**326,559**

4. TAXES

Group taxes comprise income and other taxes. As a Paraguayan commercial company, Telecel is subject to all taxes applicable to a Paraguayan Company.

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):

	Three months ended March 31, 2013 (Unaudited) PYG 'M	Three months ended March 31, 2012 (Unaudited) PYG 'M
Current income tax charge	77,677	81,414
Net deferred income tax expense	6,278	1,707
Charge for taxes	**83.955**	**83.121**

5. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2013, Telecel acquired property, plant and equipment with a cost of PYG 61,376 million (March 31, 2012: PYG 74,291 million). The charge for depreciation on property, plant and equipment for the three months ended March 31, 2013 was PYG 62,246 million (March 31, 2012: PYG 54,228 million).

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

	Three months ended March 31, 2013 (Unaudited) PYG 'M	Three months ended March 31, 2012 (Unaudited) PYG 'M
Additions	61,376	74,291
Change in suppliers advances	(2,491)	(1,464)
Change in payables for property, plant and equipment	13,423	10,239
Cash used for the purchase of property, plant and equipment	**72,308**	**83,066**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	Three months ended March 31, 2013 (Unaudited) PYG 'M	As at December 31, 2012 PYG 'M
Cash and cash equivalents in U.S. dollars	289,335	999,784
Cash and cash equivalents in other currencies	65,199	72,050
Total Cash and cash equivalents	**354,534**	**1,071,834**

7. DEBT AND OTHER FINANCING

Analysis of debt and other financing by maturity

The total amount of debt and other financing is repayable as follows:

	As at March 31, 2013 (Unaudited) PYG 'M	As at December 31, 2012 PYG 'M
Due within:		
One year	78,960	84,324
One-two years	77,957	81,593
Two-three years	77,809	81,593
Three-four years	57,711	60,536
Four-five years	37,539	39,480
After five years	1,187,369	1,252,662
Total debt	**1,517,345**	**1,600,188**

8. COMMITMENTS AND CONTINGENCIES

Operational environment

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.

Litigation

The Company and its subsidiary is contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As at March 31, 2013, the total amount of claims against Telecel's operations was PYG 4,718 (December 31, 2012: PYG 4,090 million) of which 100% has been provided for the litigation risk in the company. 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.

Capital commitments

As at March 31, 2013 the Company has fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of PYG 68,119 million (December 31, 2012: PYG 426,624 million).

8. COMMITMENTS AND CONTINGENCIES (Continued)

Dividends

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

9. SUBSEQUENT EVENTS

Between the date of closing March 31, 2013 and the date of presentation of these financial statements, there were no-significant financial events or other measures affecting the economic and financial structure or results of the Entity as at March 31, 2013.

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