Telefónica Celular del Paraguay S.A.

(A Paraguayan Company)

Interim Condensed Consolidated Financial Statements
For the three month period ended March 31, 2014

Telefónica Celular del Paraguay S.A.

Consolidated statements of comprehensive income
for the three months ended March 31, 2014

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
		(Unaudited) PYG ‘M	(Unaudited) PYG ‘M
Revenues		799,867	789,781
Cost of sales		(278,729)	(250,782)
Gross profit		**521,138**	**538,999**
Sales and marketing		(138,824)	(121,725)
General and administrative expenses		(101,250)	(94,753)
Operating profit	3	**281,064**	**322,521**
Interest expense		(26,898)	(24,419)
Interest and other financial income		709	2,077
Exchange gain / (loss), net		35,814	29,109
Profit before tax		**290,689**	**329,288**
Income tax expenses	4	(31,883)	(83,955)
Net profit and comprehensive income for the period		**258,806**	**245,333**
Attributable to:			
Equity holders of the company		**258,806**	**245,333**
Basic earnings per share			
—for the year attributable to equity holders		140	132
Diluted earnings per share			
—for the year attributable to equity holders		140	132

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

Telefónica Celular del Paraguay S.A.

Consolidated statements of financial position
as at March 31, 2014

	Notes	March 31, 2014 (Unaudited) PYG 'M	December 31, 2013 PYG 'M
ASSETS			
Non-Current Assets			
Intangible assets, net		724,365	759,072
Property, plant and equipment, net	5	1,367,757	1,399,359
Deferred taxation		34,661	30,853
Other non-current assets		25,524	25,298
Total Non-Current Assets		**2,152,307**	**2,214,583**
Current Assets			
Inventories		75,480	96,322
Trade receivables, net		282,402	310,492
Amounts due from related parties		232,522	154,078
Prepayments and accrued income		289,298	258,557
Supplier advances for capital expenditure		11,727	8,687
Other current assets		9,179	44,053
Pledged deposit		16,946	17,493
Cash and cash equivalents	6	858,348	635,467
Total Current Assets		**1,775,902**	**1,525,189**
TOTAL ASSETS		**3.928,209**	**3,379,771**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		93,000	93,000
Legal reserves		50,110	50,110
Retained profits		1,029,737	191,550
Profit for the year attributable to equity holders		258,806	838,187
TOTAL EQUITY		**1,431,653**	**1,172,847**
LIABILITIES			
Non-current Liabilities			
Debt and financing	7	1,506,907	1,556,182
Provisions and other non-current liabilities		174,648	195,050
Total non-current liabilities		**1,681,555**	**1,751,232**
Current Liabilities			
Debt and financing	7	86,388	89,261
Payables and accruals for capital expenditure		152,878	239,025
Other trade payables		75,447	112,485
Amounts due to related parties		96,862	61,869
Accrued and other expenses		203,918	136,570
Provisions and other current liabilities		199,508	176,483
Total current liabilities		**815,001**	**815,693**
TOTAL LIABILITIES		**2,496,556**	**2,566,925**
TOTAL EQUITY AND LIABILITIES		**3,928,209**	**3,379,771**

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

Telefónica Celular del Paraguay S.A.

Consolidated statements of cash flows
for the three months ended March 31, 2014

	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
		(Unaudited) PYG 'M	(Unaudited) PYG 'M
Cash flows from operating activities			
Profit before taxes from continuing operations		**290,689**	**329,288**
Adjustments:			
Interest expense		26,898	24,419
Interest and other financial income		(709)	(2,077)
Adjustments for non-cash items:			
Depreciation and amortization		108,642	78,291
		425,520	**429,921**
Decrease in trade receivables, prepayments and other current assets		(18,962)	(86,704)
Decrease in inventories		(20,842)	(46,571)
Decrease in trade and other payables		(39,611)	(3,778)
Changes in working capital		**(79,415)**	**(137,053)**
Interest expense paid		(1,975)	(4,969)
Interest received		3,137	5,371
Taxes paid		(801)	(20,000)
Net cash provided by operating activities		**346,466**	**273,270**
Cash flows for investing activities:			
Purchase of property, plant and equipment		(78,668)	(72,308)
Debt and other financing granted to related parties		(21,851)	(7,018)
Other		26,689	16,130
Net cash used by investing activities		**(73,830)**	**(63,196)**
Cash flows for financing activities:			
Repayment of debt and financing		(71)	(1,115)
Payment of dividends		-	(880,689)
Net cash used by financing activities		**(71)**	**(881,804)**
Exchange losses on cash and cash equivalents		(49,684)	(45,570)
Net increase (decrease) in cash and cash equivalents		**222,881**	**(717,300)**
Cash and cash equivalents at the beginning of the period		635,467	1,071,834
Cash and cash equivalents at the end of the period		**858,348**	**354,534**

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

Telefónica Celular del Paraguay S.A.

Consolidated statements of changes in equity
for the three months ended March 31, 2014

	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, 2012	**1,860**	**93,000**	**1,233,627**	**50,110**	**1,376,737**
Total comprehensive income for the year……	-	-	838,187	-	838,187
Dividends…………………………………...	-	-	(1,042,777)	-	(1,042,777)
Balance as of December 31, 2013	**1,860**	**93,000**	**1,029,737**	**50,110**	**1,172,847**
Total comprehensive income for the year	-	-	258,806	-	258,806
Balance as of March 31, 2014	**1,860**	**93,000**	**1,288,543**	**50,110**	**1,431,653**

1. CORPORATE INFORMATION

Telefónica Celular del Paraguay S.A. (the "Company"), a Paraguayan Company, and its subsidiaries (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. 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.

As at March 31, 2014 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, 2013: PYG 93,000 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".

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, 2014 (Unaudited) PYG 'M	Three months ended March 31, 2013 (Unaudited) PYG 'M
Revenues	799,867	789,781
Cost of rendering telecommunication services	(202,021)	(191,353)
Depreciation and amortization	(108,642)	(78,291)
Dealer commissions	(47,893)	(53,046)
Employee related costs	(37,575)	(23,250)
Sites and network maintenance	(20,443)	(16,691)
Advertising and promotion	(19,571)	(15,682)
Phone subsidies	(28,798)	(28,123)
External services	(18,578)	(17,306)
Operating lease expense	(1,483)	(1,383)
Billing and payments	(10,293)	(10,355)
Technical Service Fee	-	(11,857)
Other costs	(23,506)	(19,923)
Operating profit	**281,064**	**322,521**

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, 2014 (Unaudited) PYG 'M	Three months ended March 31, 2013 (Unaudited) PYG 'M
Current income tax charge	35,690	77,677
Net deferred income tax expense	(3,807)	6,278
Charge for taxes	**31,883**	**83.955**

5. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2014, Telecel acquired property, plant and equipment with a cost of PYG 40,334 million (March 31, 2013: PYG 61,376 million). The charge for depreciation on property, plant and equipment for the three months ended March 31, 2014 was PYG 34,219 million (March 31, 2013: PYG 62,246 million).

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
	(Unaudited) PYG 'M	(Unaudited) PYG 'M
Additions	40,334	61,376
Change in suppliers advances	(2,491)	(2,491)
Change in payables for property, plant and equipment	40,825	13,423
Cash used for the purchase of property, plant and equipment	**78,668**	**72,308**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	Three months ended March 31, 2014	As at December 31, 2013
	(Unaudited) PYG 'M	PYG 'M
Cash and cash equivalents in U.S. dollars	766,069	566,180
Cash and cash equivalents in other currencies	92,279	69,287
Total Cash and cash equivalents	**858,348**	**635,467**

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, 2014	As at December 31, 2013
	(Unaudited) PYG 'M	PYG 'M
Due within:		
One year	86,284	78,960
One-two years	86,123	77,957
Two-three years	63,941	77,809
Three-four years	60,952	57,711
Four-five years	38,398	37,539
After five years	1,257,597	1,187,369
Total debt	**1,593,295**	**1,517,345**

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, 2014, the total amount of claims against Telecel's operations was PYG 5,264 (December 31, 2013: PYG 4,718 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, 2014 the Company has fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of PYG 78,139 million (December 31, 2013: PYG 481,425 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, 2014 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, 2014.