Telefónica Celular del Paraguay S.A.

(A Paraguayan Company)

Interim Condensed Consolidated Financial Statements
For the six month period ended June 30, 2014

Telefónica Celular del Paraguay S.A.

Interim condensed consolidated statements of comprehensive income
for the six month ended June 30, 2014

PYG 'M (unaudited)	Notes	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenues		1,606,169	1,586,342
Cost of sales		(547,295)	(515,644)
Gross profit		**1,058,874**	**1,070,698**
Sales and marketing		(282,570)	(267,719)
General and administrative expenses		(278,046)	(172,191)
Operating profit	3	**498,258**	**630,788**
Interest expense		(59,132)	(48,739)
Interest and other financial income		6,240	3,404
Exchange loss, net		50,973	(124,992)
Profit before tax		**496,359**	**460,461**
Income tax expenses	4	(93,264)	(101,593)
Net profit and comprehensive income for the period		**403,095**	**358,868**
Attributable to:			
Equity holders of the company		**403,095**	**358,868**
Basic earnings per share			
—for the year attributable to equity holders		217	193
Diluted earnings per share			
—for the year attributable to equity holders		217	193

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

Telefónica Celular del Paraguay S.A.

Interim condensed consolidated statement of financial position
as at June 30, 2014

	Notes	June 30, 2014 (Unaudited) PYG 'M	December 31, 2013 (Audited) PYG 'M
ASSETS			
Non-Current Assets			
Intangible assets, net	5	758,575	759,072
Property, plant and equipment, net	6	1,379,751	1,399,359
Deferred taxation		39,304	30,853
Other non-current assets		22,885	25,299
Total Non-Current Assets		**2,200,515**	**2,214,583**
Current Assets			
Inventories		85,833	96,322
Trade receivables, net		312,750	310,492
Amounts due from related parties		210,719	154,078
Prepayments and accrued income		277,931	258,557
Supplier advances for capital expenditure		12,944	8,687
Other current assets		17,764	44,092
Pledged deposit		16,740	17,493
Cash and cash equivalents	7	326,822	635,467
Total Current Assets		**1,261,503**	**1,525,188**
TOTAL ASSETS		**3,462,018**	**3,379,771**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		93,000	93,000
Legal reserves		50,110	50,110
Retained profits		540,795	191,550
Profit for the year attributable to equity holders		403,095	838,187
TOTAL EQUITY		**1,087,000**	**1,172,847**
LIABILITIES			
Non-current Liabilities			
Debt and financing	8	1,445,341	1,556,182
Provisions and other non-current liabilities		179,574	195,050
Total non-current liabilities		**1,624,915**	**1,751,232**
Current Liabilities			
Debt and financing	8	85,264	89,261
Payables and accruals for capital expenditure		132,574	239,025
Other trade payables		55,067	112,485
Amounts due to related parties		42,680	61,869
Accrued and other expenses		221,284	136,570
Provisions and other current liabilities		213,234	176,483
Total current liabilities		**750,103**	**815,693**
TOTAL LIABILITIES		**2,375,018**	**2,566,925**
TOTAL EQUITY AND LIABILITIES		**3,462,018**	**3,736,738**

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

Telefónica Celular del Paraguay S.A.

Interim condensed consolidated statements of cash flows
for the six month period ended June 30, 2014

PYG 'M (unaudited)	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows from operating activities		
Profit before taxes	**496,359**	**460,461**
Adjustments:		
Interest expense	59,132	50,890
Interest and other financial income	(6,240)	(5,555)
Adjustments for non-cash items:		
Depreciation and amortization	200,395	158,401
Loss on disposal assets	-	593
	749,646	**664,790**
Decrease in trade receivables, prepayments and other current assets	(17,382)	(40,899)
Decrease in inventories	(10,498)	(47,973)
Decrease in trade and other payables	(60,826)	(43,669)
Changes in working capital	**(88,706)**	**(132,541)**
Interest paid	(48,987)	(50,465)
Interest received	4,300	7,265
Taxes paid	(64,826)	(97,393)
Net cash provided by operating activities	**551,427**	**391,656**
Cash flows for investing activities:		
Purchase of property, plant and equipment	(136,710)	(117,833)
Purchase of intangible assets and license renewals	(144,175)	(36,056)
Debt and other financing granted to related parties	(21,851)	(4,203)
Other	(801)	16,130
Net cash used by investing activities	**(303,537)**	**(141,962)**
Cash flows for financing activities:		
Repayment of debt and financing	(44,300)	(44,659)
Payment of dividends	(488,941)	(1,001,279)
Net cash used by financing activities	**(533,241)**	**(1,045,938)**
Exchange losses on cash and cash equivalents	(23,294)	(24,687)
Net decrease in cash and cash equivalents	**(308,645)**	**(820,931)**
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	**326,822**	**250,903**

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

Telefónica Celular del Paraguay S.A.

Interim condensed consolidated statement of statement of changes in equity for the periods ended June 30, 2013, December 31, 2014 and June 30, 2014

PYG 'M	Number of shares	Share Capital	Retained profits	Legal reserves	Total equity
	'000				
Balance as ofJune 30, 2013 (unaudited)	**1,860**	**93,000**	**1,233,627**	**50,110**	**1,376,737**
Total comprehensive income for the period……	**-**	**-**	**838,187**	**-**	**838,187**
Dividends …………………………………..	**-**	**-**	**(1,042,077)**	**-**	**(1,042,077)**
Balance as of December 31, 2013 (audited)	**1,860**	**93,000**	**1,029,737**	**50,110**	**1,172,847**
Dividends	**-**	**-**	**(488,941)**	**-**	**(488,941)**
Total comprehensive income for the period	-	-	403,094	-	403,094
Balance as of June 30, 2014 (unaudited)	**1,860**	**93,000**	**943,890**	**50,110**	**1,087,000**

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 June 30, 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 Board of Directors ("Board") approved these condensed interim consolidated financial statements for issuance on **April 21, 2014**.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

These 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, these unaudited condensed interim 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.

These unaudited interim condensed consolidated financial statements should be read in conjunction with Telecel´s consolidated financial statements for the year ended December 31, 2013. Except for the following changes and amendment to standards adopted by the Group for the first time on January 1, 2014, these financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2013 consolidated financial statements, as disclosed in the note 2 of those financial statements.

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 adopted the amendment on its effective date for the accounting period beginning on January 1, 2014. There was no significant impact on the Group as a result of adoption.

Amendment to IAS 36, 'Impairment of Assets', which amends certain disclosure requirements regarding disclosure of recoverable amounts and measurement of fair value less costs to sell when an impairment loss has been recognized or reversed There was no significant impact on the Group as a result of adoption.

Amendment to IAS 39, 'Financial Instruments: Recognition and Measurement', which covers novation of hedging instruments to central counterparties. There was no impact on the Group as a result of adoption.

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’. There was no impact on the Group as a result of adoption.

3. ANALYSIS OF OPERATING PROFIT

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

PYG 'M (unaudited)	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenues	1,606,169	1,586,342
Cost of rendering telecommunication services	(404,664)	(396,653)
Depreciation and amortization	(200,395)	(158,401)
Dealer commissions	(107,558)	(109,438)
Employee related costs	(71,780)	(47,305)
Sites and network maintenance	(39,234)	(33,777)
Advertising and promotion	(36,754)	(35,981)
Phone subsidies	(53,019)	(51,354)
External services	(39,798)	(32,183)
Operating lease expense	(3,093)	(2,769)
Billing and payments	(21,439)	(20,707)
Gain (loss) on disposal and impairment of assets, net	-	(594)
Technical Service Fee	(77,819)	(23,907)
Other costs	(52,358)	(42,485)
Operating profit	**498,258**	**630,788**

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):

PYG 'M (unaudited)	Six months ended June 30, 2014	Six months ended June 30, 2013
Current income tax charge	101,715	97,422
Net deferred income tax expense	(8,451)	4,171
Charge for taxes	**93,264**	**101,593**

5. INTANGIBLE ASSETS, NET

During the six months ended June 30, 2014, Telecel added intangible assets for PYG 73,773 million (June 30, 2013: PYG 21,744 million) and did not receive any proceeds from intangible assets disposals. The charge for depreciation on intangible assets for the six months ended June 30, 2014 was PYG 155,118 million (June 30, 2013: PYG 123,216million).

6. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2014, Telecel added property, plant and equipment for PYG 103,392 million (June 30, 2013: PYG 103,657million) and received PYG 665,190 million in cash from disposal of property, plant and equipment (June 30, 2013: PYG 8,754,654 million). The charge for depreciation on property, plant and equipment for the six months ended June 30, 2014 was PYG 155,118 million (June 30, 2013: PYG 123,216million).

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

PYG 'M	**As at June 30, 2014 (Unaudited)**	**As at December 31, 2013 (Audited)**
Cash and cash equivalents in U.S. dollars	254,402	566,180
Cash and cash equivalents	72,420	69,287
Total Cash and cash equivalents	**326,822**	**635,467**

8. DEBT AND OTHER FINANCING

Analysis of debt and other financing by maturity

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

PYG 'M	**As at June 30, 2014 (Unaudited)**	**As at December 31, 2013 (Audited)**
Due within:		
One year	85,264	78,960
One-two years	85,099	77,957
Two-three years	87,121	77,809
Three-four years	41,210	57,711
Four-five years	19,101	37,539
After five years	1,212,810	1,187,369
Total debt	**1,530,605**	**1,517,345**

9. 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 are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As at June 30, 2014, the total amount of claims against Telecel's operations was PYG 5,923 (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 June 30, 2014 the Company has fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of PYG 59,495 million (December 31, 2013: PYG 481,425 million).

Dividends

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

10. SUBSEQUENT EVENTS

Between the date of closing June 30, 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 Group as at June 30, 2014.