MILLICOM
THE DIGITAL LIFESTYLE

Unaudited Interim Condensed Consolidated Financial Statements

As at and for the six month period ended June 30, 2015

28 July 2015

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Unaudited interim consolidated statement of comprehensive income for the period ended June 30, 2015

PYG millions	Notes	Six months ended June 30, 2015	Six months ended June 30, 2014
Revenue		1,559,983	1,606,169
Cost of sales		(517,859)	(547,295)
Gross profit		**1,042,124**	**1,058,874**
Sales and marketing		(322,532)	(282,570)
General and administrative expenses		(292,640)	(278,046)
Operating profit		**426,952**	**498,258**
Interest expense		(60,197)	(59,132)
Interest and other financial income		3,990	6,240
Exchange loss, net		(201,470)	50,993
Profit before tax		**169,275**	**496,359**
Income tax expense		(27,702)	(93,264)
Net profit and comprehensive income for the period.		**141,573**	**403,095**

Attributable to:			
Equity holders of the company		141,573	403,095

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

Unaudited interim consolidated statement of financial position as at June 30, 2015

PYG millions	Notes	Six months ended June 30, 2015	Year ended December 31, 2014
ASSETS			
Non-Current Assets			
Intangible assets, net	5	638,922	684,541
Property, plant and equipment, net	4	1,597,035	1,522,801
Deferred taxation		43,463	43,463
Other non-current assets		25,681	22,828
Total Non-Current Assets		**2,305,101**	**2,273,633**
Current Assets			
Inventories		145,887	87,635
Trade receivables, net		287,559	261,572
Amounts due from related parties		199,532	171,422
Prepayments and accrued income		360,597	288,920
Supplier advances for capital expenditure		12,022	5,941
Other current assets		54,006	71,850
Cash and cash equivalents		201,046	354,100
Total Current Assets		**1,260,649**	**1,241,440**
TOTAL ASSETS		**3,565,750**	**3,515,073**
EQUITY AND LIABILITIES			
EQUITY			
Share capital and premium		93,000	93,000
Legal reserve		50,110	50,110
Retained profits		676,300	359,099
Profit for the period / year attributable to equity holders		141,573	556,983
Parents ownership interests		**960,983**	**1,059,192**
TOTAL EQUITY		**960,983**	**1,059,192**
LIABILITIES			
Non-current Liabilities			
Debt and financing	6	1,608,367	1,481,167
Provisions and other non-current liabilities		176,386	192,470
Total non-current liabilities		**1,784,753**	**1,673,637**
Current Liabilities			
Debt and financing	6	100,646	89,951
Payables and accruals for capital expenditure		198,099	175,989
Other trade payables		160,016	80,952
Amounts due to related parties	8	31,016	98,270
Accrued interest and other expenses		164,450	174,297
Current income tax liabilities		1,412	28,890
Provisions and other current liabilities		164,375	133,895
Total current liabilities		**820,014**	**782,244**
Liabilities directly associated with assets held for sale			
TOTAL LIABILITIES		**2,604,767**	**2,455,881**
TOTAL EQUITY AND LIABILITIES		**3,565,750**	**3,515,073**

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

Unaudited interim consolidated statement of cash flows for the six-month period ended June 30, 2015

PYG millions	Notes	Six months ended June 30, 2015	Six months ended June 30, 2014
Cash flows from operating activities			
Profit before taxes		**169,275**	**496,359**
Adjustments:			
Interest expense		60,197	59,132
Interest and other financial income		(3,990)	(6,240)
Other non-operating expenses, net		201,087	-
Adjustments for non-cash items:			
Depreciation and amortization		214,713	200,395
Gain on disposal assets		(11,962)	-
		629,320	**749,646**
(Increase) decrease in trade receivables, prepayments and other current assets		13,439	(17,382)
(Increase) decrease in inventories		(58,252)	(10,498)
Increase (decrease) in trade and other payables		(163,513)	(60,826)
Changes in working capital		**(208,326)**	**(88,706)**
Interest paid		(60,512)	(48,987)
Interest received		9,457	4,300
Taxes paid		(50,507)	(64,826)
Net cash provided by operating activities		**319,432**	**551,427**
Cash flows for investing activities:			
Purchase of property, plant and equipment, net of disposals	4	(184,907)	(136,710)
Purchase of intangible assets and license renewals	5	(48,132)	(144,175)
Debt and other financing granted to / repaid by related parties, net		(160,653)	(21,851)
Other		16,585	(801)
Net cash used by investing activities		**(377,107)**	**(303,537)**
Cash flows for financing activities:			
Issuance (repayment) of debt and other financing		127,099	(44,300)
Payment of dividends		(239,782)	(488,941)
Net cash used by financing activities		**(112,683)**	**(533,241)**
Exchange losses on cash and cash equivalents		17,304	(23,294)
Net decrease in cash and cash equivalents		**(153,054)**	**(308,645)**
Cash and cash equivalents at the beginning of the year		354,100	635,467
Cash and cash equivalents at the end of the period		**201,046**	**326,822**

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

Unaudited interim consolidated statement of changes in equity for the six months ended June 30, 2014

PYG 'M	Number of shares	Share Capital	Retained profits	Legal reserves	Total equity
Balance as of December 1, 2012 (audited) .	**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**
Total comprehensive income for the period ...	-	-	556,983	-	556,983
Dividends..	-	-	(670,638)	-	(670,638)
Balance as of December 31, 2014 (audited)	**1,860**	**93,000**	**916,082**	**50,110**	**1,059,192**
Total comprehensive income for the period ...	-	-	141,573	-	141,573
Dividends..	-	-	(239,782)	-	(239,782)
Balance as of June 30, 2015 (unaudited) ...	**1,860**	**93,000**	**817,873**	**50,110**	**960,983**

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

Notes to the unaudited interim consolidated financial statements

1. ORGANIZATION

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 and solutions in Paraguay. The Company maintains multiple license contracts with Comisión 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 Cué esq. Artilleria, Fernando De La Mora, Paraguay.

The Board of Directors (“Board”) approved these consolidated financial statements for issuance on February 25, 2015.

2. SUMMARY OF CONSOLIDATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements of the Company are unaudited. They are presented in Paraguayan Guaranies and have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ as adopted by the European Union. 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. The Company’s operations are not affected by significant seasonal or cyclical patterns

These unaudited condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. These financial statements are prepared in accordance with consolidation and accounting policies consistent with the 2014 consolidated financial statements, as disclosed in note 2 of those financial statements. The following changes to standards effective for annual periods starting after 1 July 2014 did not have a significant impact on Millicom:

- IFRIC 21, ‘Levies’ , which provides guidance on when to recognise a levy imposed by a government;
- Defined Benefit Plans (amendments to IAS 19);
- Annual Improvements projects impacting IFRS 2, Share based payment; 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.

3. DISPOSAL OF SUBSIDIARIES, JOINT VENTURES AND NON-CONTROLLING INTERESTS

Agreement to 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 Paraguayan multimedia group, by finishing the negotiations and transferring all the resources and facilities of this business unit to the buyer. The transaction amount was USD 3.65 million of which USD 2.5 million was collected in cash; the remaining balance will be collected during 2015.

4. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2015, the Company added property, plant and equipment for PYG 184,907 million, and received PYG 16,587 million in cash from disposal of property, plant and equipment.

5. INTANGIBLE ASSETS

During the six-months ended June, 30 2015, the Company added intangible assets of PYG 48,132 million.

6. DEBT AND FINANCING

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

PYG millions	Six months ended June 30, 2015	Year ended December 31, 2014
Due within:		
One year	100,646	89,951
One-two years	48,728	66,690
Two-three years	22,586	43,416
Three-four years	-	-
Four-five years	-	-
After five years	1,537,053	1,371,062
Total debt	**1,709,013**	**1,571,118**

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 June 30, 2015 was PYG 181,302 million (December 2014: PYG 208,114 million).

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 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:

(i) 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

(ii) 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.

(iii) 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.

The outstanding amount as at June 30, 2015 was PYG 1,527,711 million (December 2014: PYG 1,363,004 million)

Fair value of financial liabilities

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

7. 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 subsidiaries are contingently liable with respect to lawsuits and other matters that arise in the normal course of business. As of June 30, 2015, the total amount of provisions related to claims against the group's operations was PYG 8,636 million (December, 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.

Lease commitments

Operating Leases:

The Group has the following annual operating lease commitments as of June 30, 2015 and December 31, 2014.

PYG millions	Six months ended June 30, 2015	Year ended December 31, 2014
Operating lease commitments		
Within: one year	8,360	16,720
Between: one to five years	4,770	4,770
After: five years	2,636	2,636
Total	**15,766**	**24,126**

Operating leases comprise mainly of lease agreements relating to land and buildings. The operating lease terms and conditions reflect normal market conditions. Total operating lease expense was PYG 4,875 million in the six months ended June 2015 (June 2014: PYG 3,160 million).

Capital commitments

As of June 30, 2015, the Company has fixed commitments to purchase network equipment, land and buildings and other fixed assets for a value of PYG 149,852 million (December 31, 2014: PYG 59,136 million).

Dividends

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

8. RELATED PARTY 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.

Millicom

From 2013 to 2015 the Company purchased services from Millicom and its subsidiaries including technical services fees, call center 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 "knowhow" to the Company. For the technical and other assistance received in 2014 and 2013, Telecel paid a sum equivalent to 10% and 1.5% of its total revenues, respectively. In addition during 2014 and 2013 the Company sold services to Millicom subsidiaries in Paraguay mainly mobile telephony services.

The following transactions were conducted with related parties:

PYG millions	Six months ended June 30, 2015	Six months ended June 30, 2014
Millicom – Other Paraguayan operations	29,327	23,933
Millicom - Non-Paraguayan companies	78,126	77,819
Total purchases from related parties	**108,053**	**101,752**

As at June 30, the Company had the following balances with related parties:

PYG millions	Six months ended June 30, 2015	Year ended December 31, 2014
Receivables		
Millicom – Other Paraguayan operations	192,081	168,482
Millicom – Non-Paraguayan companies	7,450	2,940
Total	**199,531**	**171,422**
Payables		
Millicom – Other Paraguayan operations	24,876	20,400
Millicom – Non-Paraguayan companies	6,140	77,870
Total	**31,016**	**98,270**

9. SUBSEQUENT EVENTS

Dividend

Between the date of closing June 30, 2015 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 Company as at June 30, 2015.

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